



UNIVERSITÉ EUROPÉENNE DU TRAVAIL

Sous la conduite de
Rachel Beaujolin-Bellet
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Downsizing at the ADDA factory in Poix-du-Nord

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EXECUTIVE SUMMARY

Confronted with more or less the same difficulties as the entire French textile sector, ADDA dealt with a drastic cut in its turnover which threatened its short-term survival by undertaking, classically, a proportionate adjustment in its workforce.

Nevertheless, this operation was conducted whilst at the same time developing and maintaining a high level of social dialogue. In this context, several innovations or positively atypical experiences could produce results that all the parties seemed to judge favourably.

The restructuring process took place without any interruption of the social dialogue, limiting the increase in the number of immediate disruptions which would have probably been dealt a fatal blow to the company. Thus, signing an agreement on the method that obliged the parties to listen to each other and then to reach a settlement, along with the recourse to an arbitrator, allowed a shared diagnosis concerning the difficulties encountered by the company, and potentially by the employees, to be established. This led to the emergence of a feasible economic project, envisaging the maintenance of an activity in France, based on a diagnosis of collective know-how and the introduction of an approach aimed at developing the internal and external employability of workers.

Finally, the fact of having been able to defuse the situation prior to the discussion made it possible to draw up a Social Plan containing a range of unusual measures for a company of this size, whose implementation provided an opportunity for constantly engaging the responsibility of all the stakeholders, by notably addressing the problem of employment before that of compensation for breach of labour contract.

Monitoring Innovative Restructuring in Europe

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Study undertaken on behalf of the UET

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This text reflects the viewpoint of its authors. All errors and omissions are ours.

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If we had to list the characteristic features of the frequent “disaster scenarios” during the restructuring processes involving mass redundancies, particularly in the context of medium-sized enterprises in the traditional industrial sector, they could be presented in three successive phases. Firstly, the management urgently explains the economic rationale of the project which is not intended to be discussed and even less to be amended. On being formally notified of the management’s plan to reduce the workforce, the social partners engage in a second phase during which, through a balance of power and conflict, the aim is to obtain the maximum amount of concessions in terms of the number of redundancies and the compensation to be paid to the personnel made redundant, as well as - to a lesser degree - the extent and nature of assistance measures. The third phase causes the weakening of all the parties: weakening of industrial relations, weakening of the workforce’s economic situation and weakening of the company, which is often bled dry following the ordeal and has a reduced human potential.

The case of ADDA in no way reflects this disaster scenario. Confronted with more or less the same difficulties as the entire French textile sector, it dealt with a drastic cut in its turnover which threatened its short-term survival by undertaking, classically, a proportionate adjustment in its workforce. Nevertheless, this operation was conducted whilst at the same time developing and maintaining a high level of social dialogue. In this context, several innovations or positively atypical experiences were enabled to produce results that all the parties seemed to judge favourably.

The restructuring process took place without any interruption of the social dialogue, limiting the increase in the number of immediate dysfunctions which would have probably been fatal for the company. Thus, the signing of an agreement on method obliging the parties to listen to each other and then to reach a settlement, along with the recourse to a mediator, enabled a joint diagnosis concerning the difficulties encountered by the company, and potentially by the employees, to be established. This led to the emergence of a feasible economic plan, envisaging the maintenance of an activity in France, based on a diagnosis of collective know-how and the introduction of an approach aimed at developing the internal and external employability of workers. Finally, the fact of having been able to defuse the situation prior to the discussion made it possible to draw up a Social Plan (Plan de Sauvegarde de l'Emploi or PSE) containing a range of unusual measures for a company of this size, whose implementation provided an opportunity for constantly engaging the responsibility of all the stakeholders, by notably addressing the problem of employment before that of compensation for breach of contract.

The idea running through the presentation of this case study is therefore that of making the management and social partners jointly responsible for safeguarding jobs and perpetuating economic activity. This engagement of responsibility was facilitated by the relative simplicity of ADDA's economic model, making it possible to objectify and legitimise the causes for the restructuring (Part 1). The social partners were (and/or had been) informed about the economic problem, thereby making it possible to defuse the restructuring process and promote the negotiation of the Social Plan (Part 2). The latter focused on the issue of the employment of workers who were being made redundant, but also on the continuity of employment in the company and the region, and was extended to initiate a procedure of the validation of work-derived experience (VAE) (Part 3). At each stage of this presentation, the conditions for the emergence of the innovations identified will be highlighted.

This demonstration is based on the analysis of documents conducted throughout the process and the interviews with the protagonists in this restructuring, who are listed in the appendix. Out of discretion, only their functions are mentioned.

1. A simple economic model, a simple decision and a cause which is understood

1.1. The stakeholders

ADDA is the vestige of a major clothing group, the Hartmann Group, established during the 1960s and the 1980 through a series of acquisitions and links before it was broken up and sold off, in the mid-1990s, to an individual shareholder who has controlled 100% of its capital ever since. Even though this controlling shareholder also owns a major textile group, ADDA made the conscious decision not to become part of the group and therefore remains under the control, in legal terms, of a natural person.

The governance structure of ADDA is very simple. The shareholder exercises control "over the results" and is involved only minimally in running the business. The executive management is conducted by two managing directors. One is responsible for industrial aspects (including human resources management) and the smooth running of the business, the other is responsible for commercial aspects. This team is driven by a strong attachment to industrial issues and relations.

The Hartmann era, now long past, nevertheless left its mark on people's minds through the industrial relations based on a paternalistic, authoritarian vision of power and the trade unions' suspicion of the management. This was however a period – at least for certain of

the group's establishments¹ - when worker representatives' awareness of the importance of economic issues increased substantially and when a high-level trade union elite adopting a pragmatic stance giving priority to employment and open to discussion was formed. It should be emphasised that personnel representatives have a sound knowledge of the labour legislation and a broad experience of using it². In all of these procedures, they have been regularly assisted over a long period by a chartered accountancy firm and a law firm. At the time of the events, the CFDT held a majority position in worker representative bodies.

Relations of mutual respect and recognition had been built up over many years between worker representatives and the management through regular dialogue and by honouring the agreements which they had signed, even if legal action on the part of the worker representatives always remains an option. On both sides, respecting one's word is not regarded as a formalised, technical requirement, but the result of a personal commitment.

All of the parties we met described the working population as being particularly attached to the company and their colleagues. The workforce is mostly made up of women aged between 45 and 50, who were recruited by ADDA, with no or very few qualifications, when they were adolescents. The company is "their" company; they are very proud of it and are capable of unstinting devotion towards it.

1.2. ADDA's activity

The remaining business of Hartmann Europe has now been refocused on "medium to top of the range off-the-peg menswear". ADDA negotiates licences with the most famous fashion houses in this sector, granting it exclusivity, for a given geographic area, of developing, manufacturing and selling men's suits based on models designed by these fashion houses. ADDA is therefore truly a "European clothing manufacturing and marketing enterprise". It stands out from other companies in this sector through its attachment to the luxury segment requiring ever greater attention to quality and detail, whilst maintaining a firm grip on costs.

1.3. Dependency on designer labels

In this unique niche, ADDA is highly dependent upon these fashion houses. The use of their labels is subject to the payment of royalties in a strict structure of product quality control and coherence with the marketing policy of the luxury goods sector (in order to ensure that ADDA does not compromise the dearly and patiently constructed brand image). ADDA is considered to be one of the rare credible partners in the Parisian market, owing to its longstanding experience and the quality of both its infrastructures and workmanship. It is nevertheless trapped in a system of burdensome constraints as the brand makes it possible to double the price of articles, for the same quality, and therefore meet the high production costs engendered by luxury products. Its dependency on brands explains the impossibility expressed by the management to venture into an autonomous, diversified development strategy, even though such suggestions have been made by the Works Council following the accountants' reports since 1998.

¹ But perhaps not particularly at the Poix du Nord site, on which this case study focuses.

² These same representatives did not hesitate to have their rights upheld in the courts during the 1986 restructuring (during the Hartmann era) in order to obtain a reasonable interval for the Works Council expert-accountant to be able to examine the case properly. The action ended in victory with the famous Hartmann ruling from the Court of Cassation in 1987, which explicitly established the time allowed for the expert's involvement from the date the report is submitted by the Management, to provide the information requested by the Works Council.

1.4. Yves Saint Laurent pulls out of ready-to wear, Kenzo threatens to

In August 2000, YSL decided to completely end its ready-to-wear activities and consequently terminated its licence agreement of over 25 years with ADDA. A legal battle ensued which resulted in a prolongation of the use of the brand for two seasons and compensation payments from YSL to ADDA³. Activity was stopped in line with a schedule in March 2002. In the aftermath (in December 2001), Kenzo also voiced its intention to terminate the contract that expired on the 31st December 2003.

1.5. A simple structure and immediate assessment of the consequences

At the end of 2001, when the planned restructuring premises were announced, ADDA had only three remaining establishments:

- The head offices in Paris employing around 200⁴ people, 50 of whom in the central structure and 150 sales personnel and demonstrators.
- The logistics platform at Prouvy (in the Nord-Pas-de-Calais Region, suburbs of Valenciennes) employing around 130 people including over 80 in actual logistics and some fifty people in other services, notably responsible for the technical development of new products.
- The Poix du Nord production site (in the Nord-Pas-de-Calais Region, in a rural area): 400 people, of whom 330 are directly employed in production and 70 “indirect” employees (supervision and general services). The structure of the production system is more complex if sub-contractors are included, who mostly work in the low-wage countries of Eastern Europe. They carry out most of the production (85%). ADDA entrusts them with the simplest and the loosest-fitting ranges⁵.
- We should also mention the personnel at 5 factory shops who are responsible for selling excess stocks (a little over 50 employees).

As a general rule, the work is organised in the company - and more specifically at the Poix du Nord factory - around organisational patterns of Taylorian inspiration. As such, the workforce has an extraordinary turnaround capacity and is capable of dealing with the peak workloads typical of the company’s activity, notably leading up to the collections. Beyond the employees’ individual expertise, which can ultimately be imitated, it is the team quality which forms the basis of ADDA’s competitive advantage. If this human dimension of competitive advantage is not apparent in the formal organisation of production, it was nevertheless clearly identified when the restructuring was being studied by the independent experts whose job was to contribute to discussions on the future for production in France, and can be seen on a daily basis at the production sites.

Nevertheless, this relatively simple organisational model was used as the basis for analysing productive capacity. Be it at the factory or on the logistics platform, a proportionality rule connects the production volume to the volume of labour required, and consequently, the variation of turnover to excess workforce.

³ After a court case brought by the Works Council, the Management will be obliged to communicate their precise amount to employees. These (high) compensation payments, which remain confidential, will be called for by the employees and will be used to cover the cost of the PSE.

⁴ Open-end and fixed-term contract staff, temporary workers not included.

⁵ Nevertheless, the complexity of the items to be delivered and the narrowness of the ranges ordered makes it difficult to organise such a network: ADDA is an exacting employer in too many aspects of the product for sustainable partnerships to be established. In this type of production, outsourcing required checks which are as expensive as they are costly and give rise to particularly high transaction costs.

As shown in table 1, the two contracts under threat accounted for most of ADDA’s activity. In early 2002, the very survival of production in France was directly threatened.

Table 1: Weighting of YSL and Kenzo in ADDA’s economic activity at the end of 2001

	YSL	Kenzo	YSL + Kenzo
Workload at the Poix du Nord factory	36%	43%	79%
Workload of the Prouvy logistics platform	25%	31%	56%
Turnover	23%	28%	51% + 16%* = 67%
Contribution to profits	19%	26%	45% + 40%* = 85%

* generated by the factory shops
 (Source: chartered accountancy firm (Alert Procedure), figures coherent with the data gathered when interviewing various actors)

1.6. A clearly identified cause: obviously “economic” and exterior

The business was nevertheless threatened by a cause which in everyone’s eyes appeared to be external to the company. Even if the reproach can be made for not having anticipated the crisis earlier, for not having sufficiently explored the possibility of signing new contracts or for not having been sufficiently open to diversification opportunities, the responsibility of the economic difficulties is clearly identified: the fashion houses were disregarding their long-standing commitments and were playing off their French and foreign partners against each other in a base financial logic far removed from the aesthetics of luxury, made of generosity of spirit and respect for the seamstresses.

The situation is therefore particularly critical, but the position is clear, it is up to everyone to reflect on the future of ADDA’s manufacturing activity in France. From the outset, the issue went beyond simply managing redundancies, which probably explains why the negotiation was so fruitful.

2. Negotiations considered to be of high quality in both their structure and content

As such, this high quality negotiation did not emerge spontaneously. It first of all had to be incited, then structured around an “agreement on method”⁶. The result was a clarification of the company’s future and a solid social plan.

2.1. The framework for negotiation: constraints to make better headway

A period of uncertainty and the awareness of difficulties

When the threat of the termination of the YSL licence became apparent in early autumn 2000, rumours about the long-term future of the company began to circulate amongst employees. In spite of Works Council’s requests, the management did not wish to embark on discussions about the potential impact of this termination. It considered that it was protected by the contractual provisions and was prepared to begin proceedings against YSL with, indeed, reasonable chances to win.

⁶ Agreements on method appeared on the grass-roots level in the nineties and were institutionally introduced into the legislation in 2003. This is a specific legal document whose signature between the employer and the dominant trade-unions allows breaking some of the provisions of the Labour Code regarding redundancies. Such agreements normally trade legal security and fixed calendar for the employer against certain concessions in terms of information/consultation and/or outplacement programmes for the employees.

The “alert procedure”⁷ was then launched by the Works Council on the 29th of November 2000. At the same time, negotiations continued with the fashion house, but the legal and financial risks were insufficient to dissuade YSL from denouncing the contract. The negotiations ended in July 2001 with an agreement envisaging the licence to terminate as from 2002 along with a penalty payment from YSL to ADDA. A few months later, the management finally acknowledged the difficulties and proposed that the Works Council should set up a special committee on the subject assisted by an independent expert selected by worker representatives and paid for by the company. The Works Council turned down this proposal, fearing that its margins for manoeuvre would be restricted. Discussions began between the worker representatives and the Textile, Leather and Clothing Federation of the CFDT trade-union and a chartered accountancy firm to draw up these actions in a formal, legal procedure.

The launch of the official procedure: innovating on the method

In the mean time, the situation further deteriorated when Kenzo in turn threatened not to renew its licence. This bad news led the Management to begin consultations with the Works Council on a project envisaging the closure of the Poix du Nord factory that would imply 500 redundancies. The partners had to work within the very specific legal framework of the first version of the Social Modernisation Law which had just been ratified. This Law amended the procedural rules and notably envisaged the holding of two consultation meetings on the restructuring project and the possibility of recourse to a chartered accountant from the very beginning of the procedure (i.e. from the so-called Book IV of the Labour Code). In addition, the law requires the strict separation of consultation on the economic cause of the project (“Book IV procedure”) and the Social Plan (“Book III procedure”) and entitles the Works Council to veto the management’s proposal, which may result in the appointment of an mediator and the temporary suspension of the restructuring project.

The “Book IV procedure” began on 20th March 2002 and was immediately suspended as the worker representatives requested the negotiation of an agreement on method prior to discussing the project, which came as no surprise given their legal culture. Furthermore, they managed to constitute a particularly united and coordinated inter-trade-unions’ team. Experimentation thus became possible: the personality and the culture of the actors were well suited to this, with rather blurred legal context serving as a catalyst. Indeed, the new law had just been ratified while the exact conditions of the application of its several articles were not entirely clear.

The management had no objection to this, especially as it could afford to take time over negotiations: on the one hand, the working time reduction agreement signed in 1999 prevented it from undertaking redundancies before November 2002 and on the other, the termination of the YSL licence was not immediate and allowed a certain margin for manoeuvre. Also, innovation in social terms was not inconsistent, far from it, with the management’s culture: ADDA was notably among the first companies to negotiate an agreement on working time reduction. Finally, the main shareholder, who also had extensive institutional responsibilities, also advocated a socially responsible attitude and gave the human resources Director “carte blanche” to do so.

⁷ French Works councils have the right of launching an “alert procedure” in case they believe that the company’s situation is difficult and there are substantial grounds to be worried. They have the right to resort to the services of an expert-account (paid by the company) and the management is obligated to give clear and exhaustive explanations regarding the situation of the company.

The negotiations and final content of the agreement on method

The first version of the agreement, presented by the parties' lawyers, was highly classical and defined primarily the dates and the agenda of the meetings. This initial version subsequently evolved considerably as a result of proposals made by the Works Council which were supported by the advice of a chartered accountant and a lawyer. Through it, worker representatives' objective was to obtain the guarantee that their viewpoint would be taken into account in the decisions. It also served the management's purpose which set out to demonstrate an intellectually progressive stance and to maintain social peace which was essential for fulfilling the company's contracts and the potential signing of further licence agreements. It therefore stated that it accepted transparency and engaged the responsibility of its partners to bring about a settlement which would promote the continuity of the business.

As the meetings progressed, the text took on its final shape which is relatively complex and contains several rather constraining clauses. Signed on the 29th of April 2002, even before the Fillon Law established it as an experimental mechanism⁸, this document is interesting because of the spirit which reigns in it and the clauses devised to remain make it effective.

Its preamble clearly specifies the parties' shared commitment that "their consultations should be based on full information and that they should genuinely take place prior to the implementation of the restructuring" and to engage "in a cycle of information and negotiations, aimed at bringing about an agreement on all the processes connected with the restructuring presented by the management, whilst guaranteeing the legal security of the process". Furthermore, "they hereby state their determination to take all the necessary measures to defend and safeguard the professional future of all employees, as far as possible within – and failing this, if necessary, outside the company". This explains the determination to reach a full agreement and to go beyond the technical and legal requirements of the consultation. "The agreement on method is first and foremost a project, a joint ambition, an objective, a mutual commitment to explore solutions" – stated the former deputy secretary of the Works Council. This content of the agreement reflects the joint ambition to seek a solution which would be perceived as legitimate and acceptable for both parties at the end of the procedure and founded on the principle of the organisation of a controversy, structured and sanctioned by a "result" after exploring alternative scenarios. To do this, the agreement technically determines the conditions for in-depth discussions by establishing a flexible timescale and the organisation of impartial information.

The agreement on method is thus exemplary in its construction, as it goes far beyond a transactional approach in which the establishment of a secure restructuring calendar for the employer is traded against compensation clauses for the employees. In this specific case, it was a sequence of stages where the move to the next stage was subject to the fulfilment of certain conditions during the previous stage. The model follows the scheme "if J, then J +..." without referring to a precise schedule, even if an indicative calendar of restructuring could be inferred from it.

Furthermore, the agreement significantly strengthens the means of the worker representatives to carry on negotiations. Apart from the chartered accountant at the disposal of the Works Council as from the Book IV procedure, the agreement envisages the possibility of recourse to independent experts with an associated budget of 50,000 euros. It also allows for the creation of a specific Works Council's committee to which the management is associated, with a wide range of tasks and competences, along with the Social Plan steering and monitoring committee that must be set up at the appropriate time. In addition, mediation is

⁸ Fillon's law introduced agreements on method in January 2003 as an experimental mechanism allowing the social partners to break some of the provisions of the Labour Code.

envisaged in the event of persistent disagreement, as stipulated in the Social Modernisation Law.

Regarding the measures of the future Social Plan, without wishing to explicitly include them in the text of the agreement, the partners nevertheless draw up its guidelines. Specific exceptional provisions are laid down for voluntary severance, the principle of devising an appropriate training mechanism is mentioned, the “individual skills audit” the introduction of a “validation of work-derived experience” (VAE) scheme is envisaged and the need for economic development of the local area is included in the text⁹.

Finally, one of the crucial points in the document is the management’s acceptance of the principle of an agreement on the future Social Plan which constitutes an obligatory condition in order to be able to complete the procedure. Although this restructuring project is not unique in this respect, the acceptance of such a clause - despite objections from the management’s lawyer – speaks volumes about the management’s confidence in its capacity to reach an agreement with the IRPs. Indeed, the negotiation process is to be long, but it will result in a substantial improvement of the initial project, the construction of a potential future for the industrial site in France and a Social Plan well suited to the characteristics of the site, the employees concerned and the employment catchment area.

2.2. Characteristics of the negotiation process

The major negotiation principles set out in the agreement on method seem to have been rigorously respected and therefore to have largely determined the effective implementation of the process. Apart from the fact that it was structured by the agreement on method, the dialogue had three distinctive features: the scale of the negotiation, the number and diversity of actors directly or indirectly involved, and the determination to never allow the dialogue to break down.

The scale of negotiations and the time factor

First of all, the scale of the negotiations must be mentioned: nearly 13 months passed between the signature of the agreement on method (29/04/2002) and the signature of the Social Plan (20/05/2003), i.e. a longer period than envisaged in the agreement on method¹⁰. During this period, some twenty meetings were held between the management and worker representatives, 12 of which were Extraordinary Works Council’s sessions. Far from being a watered-down consensus, these meetings sometimes took place in a heightened atmosphere with extensive demands from the worker representatives supported by the employees.

The time factor played a fundamental role. This was because, generally speaking, time increases the probability of the partners reaching an agreement. But in the specific case of ADDA, the duration of negotiations was also crucial for another reason. Whilst discussions were taking place, an agreement could finally be reached with Kenzo and a further contract until 2007 was signed in July 2002. For this reason, given that with a classic legal procedure Kenzo would not have had the time to change its mind, we might conclude that the long procedure established by the agreement on method saved the Poix du Nord factory. It should be specified that the agreement on method also indirectly promoted negotiations with Kenzo

⁹ This was despite the company’s insufficient size (less than 1,000 employees) rendering the application of Article 118 of the LMS non obligatory. Here also, the EWC did not hesitate to envisage going to court, notably arguing that the company *effectively* belonged to the principal shareholder’s group, in spite of the legal arrangement which made it entirely independent in legal terms.

¹⁰ The period envisaged by the agreement itself – if we count the J +... in accordance with the schedule – is already relatively long (10-11 months), but it was further extended by at least two more months as the conditions for moving on to the next stages were not met.

insofar as it guaranteed a certain “social peace” within the ADDA and therefore, from Kenzo’s viewpoint, the maintenance of the activity and the respect of lead times.

The number of stakeholders involved

The exceptional nature of the dialogue could also be measured in terms of the extensive number of stakeholders involved. Several stakeholders from outside the company effectively played a significant role in the progress of the negotiations. Apart from the chartered accountancy firm, which assisted worker representatives throughout the process, we should also mention the role of the independent experts and the mediator. In the relations between the social partners, the names of the individuals concerned were in each case proposed by the party representing the personnel, given that in accordance with the provisions stipulated in the agreement on method, the management had a veto right that was never exercised. It should be highlighted, for it necessarily had an impact on the quality of the dialogue, that the stakeholders knew one another. They formed a network of professionals who were used to working together so that it was virtually impossible for an external observer to determine who had brought in whom to work on the project. Their closeness probably improved the effectiveness of the discussion by facilitating the translation of ideas between the experts on the one hand, but also between the experts and the social partners. Several of them are also known for having contributed to the development of innovative approaches to restructuring through their interventions at grass-roots level, their reports and political stances moving towards greater social responsibility taken by the company with regard to its employees, whilst stating the need to demonstrate economic realism. Being highly familiar with the evolutions in the legal framework, they were probably the driving force behind the determination to test the new opportunities (agreement on method, validation schemes and mediation).

The specific, complementary profiles of three independent experts echoed the major orientations outlined in the agreement on method, as one expert specialised more in industrial issues, another one in social issues and local economic development and finally, there was an expert in the organisation of work. Certain interviewees pointed out to the excellent reputation and equally great talent of the experts chosen, especially given the relatively modest size of the company.

The intervention of the mediator resulted from the identification of a persistent disagreement between the parties. At least two major factors should be pointed out here. Firstly, the way in which the appointment was made demonstrates in itself the parties’ determination to pursue the dialogue. Indeed, although recourse to a mediator is not a rare event, the choice is generally made from a list drawn up by the prefect and in most cases leads to the appointment of the local representative of the Ministry of Labour. In this instance, the candidature of the mediator was to be proposed by the secretary of the Works Council and accepted (or otherwise) by the management which had a veto right. The choice was made for a well known expert in restructuring, who was also highly integrated within the aforementioned network. Furthermore, the parties chose to avoid referring to the document that was finally signed as the “statement of disagreement”, preferring the far more positive term of “conclusion report”, which appears to be a legal innovation.

This document was crucial in the negotiation process. By emphasising the points on which the parties agreed and by thus taking a positive view of the results of the negotiation, the mediator was nevertheless able to identify the existence of three points of discord: 1) the number of redundant personnel and the way of calculating these redundancies, 2) the direction and scale to be given to ADDA’s diversification policy, 3) the extension of the validation mechanism to cover all voluntary employees, not just those who were being made redundant.

Beyond the examination of points of agreement and disagreement, the mediation activity is also part of a broader scope of consultation and mobilisation of public authorities. Thus, contacts were established with the sub-prefect (local state representative). The mediator also held several meetings with the shareholder, something which the independent experts had not managed to do. These contacts perhaps helped to convince the shareholder of the need to send out a strong signal about his determination to maintain a factory in France by publicly announcing an investment and modernisation programme for the unit, worth 600,000 euros over four years. On the other hand, the mediator strived to make the trade union delegates aware of the potentially disastrous consequences which a social conflict and threats would have had on the company's long-term future.

The shared determination for dialogue not to break down

The stakeholders' constant determination that dialogue should not be allowed to break down and that an agreement should be reached was a characteristic feature of these negotiations. This shared commitment can be explained by the aforementioned factors: the personality of actors, decisive and clearly identifiable causes of redundancies, reaching an agreement before the restructuring process was begun, the shareholder's clearly expressed desire to avoid social conflict, the impact of the social climate on negotiations with the brand names, etc.

It is probably also explained by the trust the employees placed in their representatives, which was enhanced by their personality and the collective strength of workers characteristic of the company's culture. As a result, although negotiations lasted some time, and the situation was critical indeed, the trade-unionists were never outflanked by their "base", nor forced into unjustified activism. We might also assume that the employees' support was reinforced by various interventions from the experts, insofar as they heightened the external visibility of the action of worker representatives and the intelligibility of the negotiation process. In this respect, the independent experts on the one hand took care to avoid too highly technical presentations, which enabled the workforce to understand them and the various parties to "take them on board", and on the other hand, to associate employees with no managerial or trade union responsibilities, in the form of working groups, to the discussions about the organisation of work and identification of collective know-how. This participative stage not only made it possible to identify a "reserve" of non-formalised, underutilised and unrecognised expertise, but also enabled the credibility of the approach to be established.

2.3. The issues involved in the debate on the economic project

The Book IV debates focused on three major issues: the reality and scale of the redundant workforce, the possibilities for diversification and the economic rationale of the Poix du Nord factory. Whilst the first two of these were the subject of dispute, we can be sure that the convergence of opinions on the third point was a means of establishing the negotiation process so that it could be extended and finalised.

The reality and scale of the redundant workforce

The existence of redundant workforce – with a constant scope of the activity – was acknowledged by all of the parties. This accepted fact was due, on the one hand, to the very nature of the industrial activity, which is reflected by a high correlation between employment and production volume, and on the other, the fact that this production volume is directly determined by licence contracts signed with the fashion houses. The reduction in the volume of activity therefore appears to be an imposed constraint, which cannot be attributed to management decisions. In this respect, employees were familiarised with the constraints associated with the licence system, as demonstrated by the frequent discussions at the Works

Council meetings on the negotiations about the future of existing contracts and canvassing activities.

Thus diverging points of view emerged regarding the extent of redundant workforce resulting from the loss of the YSL licence. The first redundancy plan established by the management (on 20th March 2002) estimated the excess workforce at 500 jobs and envisaged the closure of the Poix du Nord factory. This figure was then reduced to 160 after the return of Kenzo into the portfolio of ADDA contracts. It was mentioned in the independent experts' report, although its authors did not specifically calculate it and were content to consider the number provided by the management as "plausible" (something that worker representatives criticised them for). However, the report by the chartered accountant on behalf of the Works Council challenges the management's figure. The disagreement stems from the method used for the calculation and the fact of taking into account the reduction of the Kenzo contract which was to take place at a far later stage (still uncertain at the time) and not taking into account the compensatory effects associated with new contracts with Scherrer and Rochas. The accountants also considered that the immediate cutting of 160 jobs would lead to the breakdown of production patterns. The mechanical effect of the fall in activity on jobs associated with the loss of the YSL contract was assessed by the accountant at 111 full-time jobs (100 permanent employees, taking into account the presence of 11 fixed-term contract employees). Based on these different estimates, the mediator considered that a target workforce of 280 full-time employees (i.e. an excess workforce of 120) was a "negotiable, if not acceptable compromise". This figure was not justified to any particular extent and appeared above all to reflect the logic of an arithmetic average between the respective positions of the management and the accountant's report. The negotiations finally led the partners to initiating the negotiation of the Social Plan based on the cutting of 140 jobs.

The possibilities for diversification

The debate on the possibilities for diversification is directly related to that of the extent of the excess workforce insofar as the development of new activities could have partially offset the reduction in production volume brought about by the changes in current licence contracts. In the very context of the agreement on method, the independent experts were entrusted with the task of studying new internal or external activities that could be envisaged, given the opportunities offered by markets and the available production resources.

From this perspective, after stating that ADDA is positioned in top of the range off-the-peg menswear, the independent expert's report identified the various options that could be examined. These included sportswear, "made-to-measure" or "semi-finished", "interfaced", loose and structured women's ready-to-wear, uniforms and work clothing. The report nevertheless notes the inherent difficulties for each of these activities, be it in terms of market development (uniforms and work clothing), labour cost difference compared with the option of off-shoring (sportswear, "made-to-measure" and "semi-finished"), appropriateness for the company's current skills (loose ready-to-wear garments for women) or the company's legitimacy in winning a designer label licence in women's wear (loose and structured women's ready-to-wear garments). The margins for manoeuvre here appeared to be relatively limited. Furthermore, these diversification scenarios would not provide a solution to the immediate problem of redundancies given the time required to implement them. Also, notably in terms of sportswear, certain possibilities would only marginally affect activity at the Poix du Nord factory, as they would require recourse to largely off-shored production.

Both sides found elements in this report to support their respective positions. Thus the response from the accountants on behalf of the Works Council used it to advocate the practical exploration of possibilities related to "tailored" off-the-peg menswear, "interfaced" off-the-peg menswear and structured women's ready-to-wear. The accountants picked up on

the idea that these three options could justify an exploration which could “create medium-term opportunities”, reiterating that the experts could not identify any particular technical obstacle. In its response to the proposals in the report, the management considered these diversification options to be insufficiently realistic. It reiterated the difficulties mentioned in the report and pointed out that for all the points listed, it had already provided comprehensive answers in its document of September 2002, extensively analysing the constraints and particularities of these various markets, and had concluded that their implementation was impossible. The mediator in turn considered that he was not a specialist in the sector and declined to express an opinion on the issue or undertake any arbitration.

The future of the Poix du Nord Factory

Beyond the divergences of opinions on these diversification possibilities, a relative consensus appeared concerning the role of the Poix du Nord factory in ADDA’s strategy. The production cost difference compared with certain foreign production sites is a fact which no one questions. Consequently, the various stakeholders involved also agreed on the need to maintain a production unit at Poix du Nord. The independent experts noted that there was a need for a production unit being able to offer products which could not be subcontracted abroad and to operate when there were supply difficulties or delays, given the necessity to carry small series or partial promotions, or even to provide a very short term response. This idea was endorsed by the management that mentioned several reasons for maintaining industrial facilities in France: the “made in France” image, credibility in the eyes of its customers, proximity, creation of prototypes, production of small series and late arrivals of fabrics. But everyone also agreed on the fact that maintaining a production site in France involved a precise definition of its economic rationale. The experts considered in this respect that “the surest way to develop the Poix du Nord site was to pursue its specialisation in small series by offering a top quality service owing to the highly adaptable nature of its personnel”. The factory’s “service” orientation was thus confirmed and had to be envisaged as complementary to the off-shoring strategy. To borrow the formula of one of the authors of the report, the long-term future of the Poix du Nord site “implies a switch from manufacturing to industrialisation of new products”.

The various stakeholders concerned were nevertheless aware that this strategic orientation required an assistance procedure covering at least three main areas: an investment programme for the modernisation of the unit, changes in terms of the organisation of work (the conclusion and summary stated that this is “broadly Taylorian”) and the development of individual skills. Negotiations on the restructuring plan thus generated the idea that this painful but inevitable stage had to be structured around a more general consideration of the conditions required for the long-term future and competitiveness of the Poix du Nord industrial site along with the required employment adaptations.

The future for internal and external employees: the twofold ambition of the VAE

In this respect, another innovation emerged in this restructuring project, once again demonstrating the stakeholders’ determination to experiment with the legal options opened by the Social Modernisation Law. Indeed, as soon as negotiations on the agreement on method began, the idea appeared to facilitate the redeployment of industrial sites and employees by “mobilising the necessary external expertise, notably for the identification of collective know-how, the validation of individuals’ work-derived experience and devising a training mechanism adapted to the population involved”. These “external skills” were to be found in the person of one of the independent experts, supported by a specialist on the subject who had taken part in the elaboration of the legal texts on the validation schemes in France. On the one hand, this approach supposed making an effort in order to prepare workers - through the

qualification and discovery of skills possibly unsuspected by themselves – for the future in case they lost their jobs. On the other hand, it was meant to upgrade and make formally explicit the qualifications of the workers in order to assist this change by developing greater reactivity and polyvalence¹¹. The case of the validation of work-derived experience bears witness to the constructive nature of the social dialogue in the company, as this dialogue made it possible to identify certain points of coincidence between the social and economic issues.

As we can see, the mindset underlying the negotiations, and this anchorage in a stringent institutional framework led all the stakeholders to taking the company's economic plan in hand. This personal investment, shared understanding of the problems and mutual respect were also beneficial for making everyone in the process of managing redundancies.

3. Managing redundancies marked by sound intelligence

3.1. Negotiations: assistance first, compensation later

The pragmatism of the social partners and their attachment to the employment issues were reflected in the manner in which the social aspect of the project was negotiated. The social partners were able to put off the discussion on the immaterial damage compensation, focusing energies on the measures intended to develop employment and promote professional transitions of the workers who were being made redundant. Beyond the specific case covered here, immaterial damage compensation is generally a simple and simplistic response of the employer in France as regards to the issue of social responsibility. The conflict emerges here all the more easily since, by its very nature, a win-win solution is impossible. Such discussion ends with a winner and a loser, and makes it impossible to pursue any intelligent negotiation. The case of ADDA was no exception to this rule, and it was precisely during the final discussion on redundancy payments that the dialogue took a downright conflictual turn, resulting in a strike movement for several days and the occupation of the logistics platform at Prouvy that blocked all of the company's activity. But the essential had been negotiated before, and could subsequently be preserved. Furthermore, the fact of having dealt with this issue at a late stage was not unfavourable for the redundant employees as the additional compensation, depending on the length of service, could be as much as 11 months' salary (along with the dispensation from notice) on top of the legal and contractual redundancy payment. In the end, the total was far higher than what might have usually occurred in similar contexts.

3.2. A Social Plan of high quality

On paper, the negotiated Social Plan appeared to be quite conventional. Apart from the measures of withdrawing workers from the labour market (retirements, early retirements and disability pensions etc.), it offered a traditional range of internal and external redeployment assistance measures and notably proposed the implementation of an outplacement unit. In addition – and this was unusual – the Social Plan proposed actions aimed at fostering local economic development, something that ADDA was not legally bound to do, given the size of the company. This part of the Social Plan (and its relative failure) will be detailed below.

¹¹ “To speak of the validation of work-derived experience of workers appears relevant for the task set here, as it combines two dimensions. The first dimension is that of a relatively short-term employment issue, associated with the termination of the YSL contract. How can the redeployment of workers of the Pox du Nord factory whose jobs are likely to be cut, be guaranteed? The second dimension is that of ADDA's medium-term competitiveness, given the significance of the markets in which the company operates and those which it could conquer (sic), and the activities which these markets represent for the establishments and their employees. The issue is to develop the competitiveness of both establishments, as required to guarantee future employment.” Independent experts' report, p. 27.

Furthermore, if its content is classic, it remains extraordinarily rich given ADDA's activity sector and above all its size. This medium-sized company provided social measures that were quite comparable to those of big multinational companies.

But it is above all in the implementation of these classical measures that ADDA distinguished itself, which led the actors that were interviewed to affirm almost unanimously that the redeployment of workers resulted in a generally satisfactory outcome. Considered as a process, the Social Plan was thus particularly innovative. Two points should be made: the philosophy of the action undertaken by the outplacement agency and the active involvement of various stakeholders in the outplacement of individuals through an efficient steering committee.

Furthermore, even though it does not appear among the Social Plan measures¹², it is interesting - in a logic of debating innovations identified in the ADDA case - to consider the implementation of the validation scheme as a response to help workers in their career building in the long run, including outside the company, particularly in the case of another restructuring project in the future.

The situation of the employment area and the characteristics of the population to be outplaced

The Poix du Nord municipality is part of the Vie de Le Quesnoy area which combines, with the municipality in the centre, the East and West cantons of Quesnoy (25,500 inhabitants). The Quesnoy area in turn belongs to the Valenciennes "employment catchment" area (30% of the workforce residing in the 2 cantons and the municipality work in the Valenciennes agglomeration). There are few links between the neighbouring areas.

The opportunities for outplacement in the industrial sector are limited. There are very few industrial establishments and some of them operate in activities far removed from the know-how and profiles of ADDA's employees (construction and mechanical equipment). However, there are several potential sectors offering jobs in which ADDA employees' skills might be appreciated: in particular foodstuffs, paper and domestic appliances. Career opportunities in the service sector look more promising: shops and various services offering an increasing number of jobs are set to expand in the area.

The employment situation in the region is very difficult. The unemployment rate has been hovering at nearly 16% for several years, which is far higher than the regional (13%) and national (10%) averages. This unemployment affects many young people: over a quarter of the unemployed in the area are under the age of 25.

In this context, redundant workers from ADDA are not at an advantage, far from it. Certain people caricature the careers of these individuals as follows¹³: "When the factory opened, some thirty years ago, they came to seek for them at a remote farm. They were 15 and couldn't drive, so a bus service was set up for them. At 45, they have worked only for ADDA, where they have been assigned to different tasks but without changing their position and were trained on the job. They feel that they don't know anything, have no qualification. In addition, they live in a rural area and what's more, are still unable to drive".

The feeling of not knowing anything is genuine. However, when analysing their skills, notably during the collection period, the independent experts clearly demonstrated that over the years, these employees had learned something in this factory which constantly "taught" them about new products: in spite of the Taylorian formalism of the organisation, the effective flexibility was a reality and employees had often changed positions over the years. This

¹² The PSE is content to add to the number of measures, the study conducted by the independent experts, which had already been submitted to the EWC members.

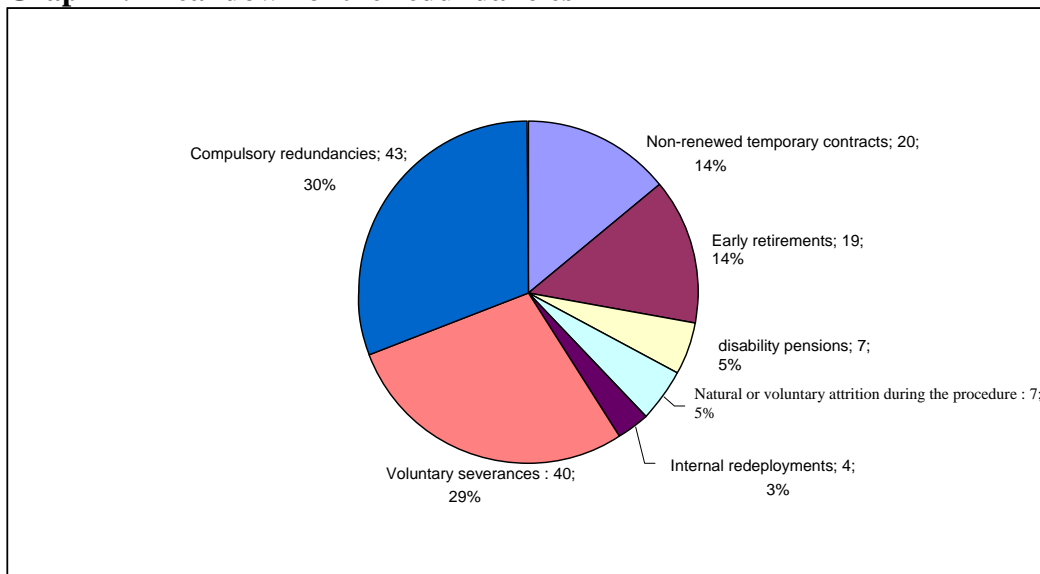
¹³ This profile matches the Poix du Nord type situation. The situation differs at Prouvy, where the population is less rural.

flexibility and mobility were nevertheless utilised in accordance with the production requirements and not out of a concern to acquire a profession or to enhance employability.

It was these unsuspected human qualities of the individuals concerned in particular which the redeployment process was supposed to reveal and which the validation scheme strived to acknowledge in order to improve ADDA’s potential for qualitative competitiveness.

140 jobs were cut. The redundancies were deal with in the following way:

Graph 1: Breakdown of the redundancies



The outplacement unit then opened with 84 “potential clients”¹⁴. 59 workers were effectively assisted but 8 left the outplacement unit before finding any solution¹⁵.

The work of the outplacement unit

It quickly appeared that the difficulty was to be the development of mobility, be it professional, geographic or “psychological”. In accordance with its customary offer of individual assistance, the outplacement agency successfully got the Works Council and the management to agree on an approach which required a high level of trust between the operator and its clients. This trust was established very easily as the agency in question is also familiar with the network of the experts involved in this restructuring.

Indeed, in the outplacement industry, the tendency in France today is to set the objectives generally quantified in terms of what is called a “valid job offer” (OVE), with an (illusory) guarantee of the maximum rate of success for the population of redundant workers. This was the option which was formally selected in the Social Plan, assigning the outplacement company the objective to supply each worker with at least two job offers whose “validity” was appreciated in regards to the characteristics of the contract (duration, remuneration, location and working hours) similar to those of the job that had been lost. It

¹⁴ The gap between the 83 people made redundant and the 84 people to be potentially monitored by the outplacement unit arose from the comparison of different sources (follow-up document of the Social Plan on the one hand and the unit’s statistics on the other). It could reflect, but this would have to be checked, a person taking voluntary severance before the Social Plan.

¹⁵ These figures, close to the national average are “disappointing” given the characteristics of the population. They could point to a certain disenchantment with regard to the institutions responsible for re-employment, in the broadest sense. The hypothesis of implicit “selective admission” to the outplacement agency according to possible prospects seems to be completely ruled out.

was also assessed in terms of the nature of skills which had to be “similar or approaching those identified in the previous job held or corresponding to the professional project defined jointly by the employee and the outplacement unit, where appropriate after undertaking a training activity”.

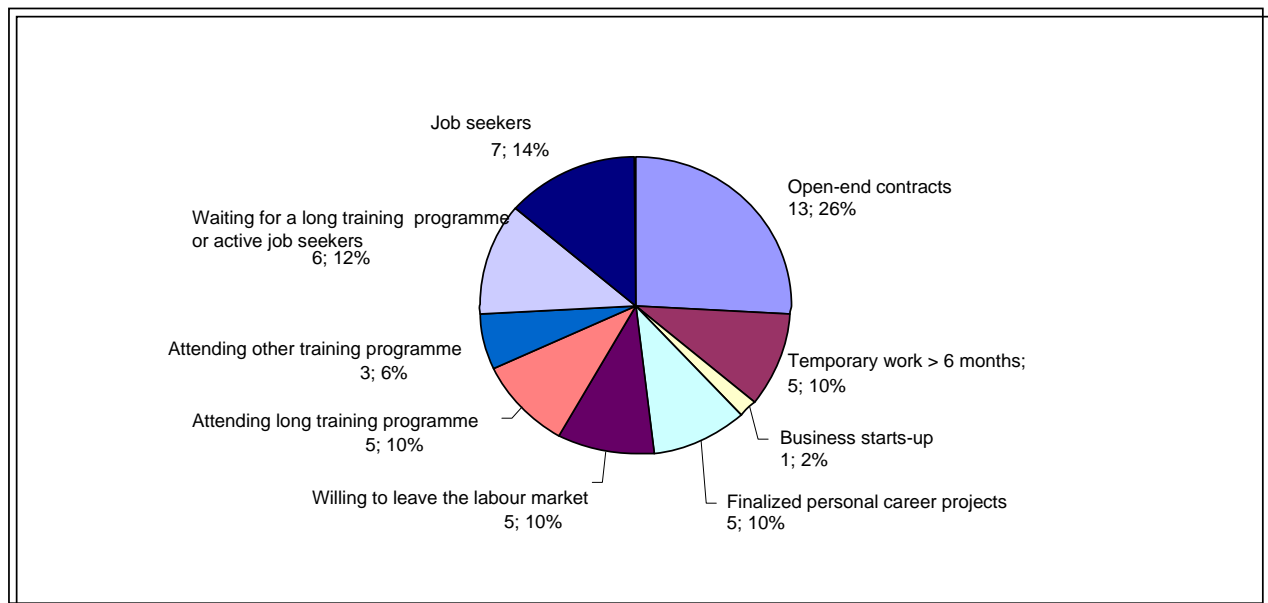
The outplacement company finally chose to reject this approach and to propose a process that would stress a more active involvement of the individuals in their own redeployment. The objective was not therefore that much to redeploy the employees, but rather to “get them to redeploy themselves”. For this reason, it implied developing employability and autonomy of the workers rather than placing them in a passive situation of expecting an interesting “valid job offer”. They also had to be encouraged to envisage ambitious career changes, for which they needed to be particularly well equipped (only 4% of these employees wanted to remain in the textile industry, 80% were oriented towards the service sector, more specifically people-oriented services).

In this mechanism, an important place was given to training with a particularly well thought-out, pragmatic approach. The aim was to ensure that training courses did not turn into a means of delaying the moment of unemployment but were part of a project leading to clearly identified employment solutions (practical training, “sandwich courses” etc.).

Satisfied “customers”

The results were long to come, but outplacements accelerated after 9 to 10 months of the launch of the outplacement unit. This situation made it necessary to fund the operation of the unit for six more months.

Graph 2: The situation of individuals followed by the outplacement unit



Like it often happens in the outplacement industry, the quality of the “identified solutions” is hard to assess. In the event, only 26% of the workers assisted by the unit were still searching for a job when the unit closed, the remainder had already been directed into more or less stable careers or training courses whose effects are, however, not easy to measure in advance. The official results published by the outplacement company gave the figure of 74% of “identified solutions”. Nonetheless, this was qualified both by the management and the employees, who agreed to acknowledge that about half of the people concerned had indeed found a “valid” solution, which these interviewees ultimately considered to be satisfactory.

But several interviewees emphasised that the result should also be assessed in qualitative terms, which supposes taking into account the effect of the assistance work on the self-confidence of the dismissed workers. The “mourning period” was professionally handled, and even if dismissed workers remained economically disadvantaged, they probably became more psychologically able to face their employment problem. The process revealed in particular the workers’ professional qualities which they were used to considering as mediocre.

The best gauge for the performance of this redeployment programme is probably the fact that absolutely none of the interviewees expressed the slightest reservation about the quantity and quality of the work that was conducted by the outplacement unit.

Furthermore, the performance could be measured by the absence of notable effects on employees’ health. The vast majority of the health problems encountered during this restructuring involved the revelation of pathologies that had been contracted previously, and only one or two cases of psychological suffering resulting in symptoms owing to medication were brought to our attention.

The overall quantitative result may look somewhat disappointing, but it is difficult to say whether one could have fared better in similar circumstances.

Strong involvement of stakeholders

This process was possible because the social partners have accepted an approach which was certainly interesting but not very reassuring. Basically, the outplacement company’s commitment was expressed in terms of means and not in terms of results. Relations of personal trust were developed between the outplacement company, the management and employees. This trust might explain the fact that the same outplacement company was subsequently selected to implement the validation scheme at the Poix du Nord factory¹⁶, whilst the validation process at the Prouvy site was entrusted to the company of the expert who had assessed the interest and feasibility of this scheme. Such continuity confirms the sustained nature of the partnership between ADDA, the experts and support service providers.

Once again, this climate of trust can be attributed to the personality of the stakeholders, but it is also the result of the long negotiation process which enabled the actors to get to know one another and learn to work together serenely. The trust was demonstrated in practice by the efficient functioning of the steering committee and the follow-up of the Social Plan in association with the management, Works Council’s representatives and the local representative of the Ministry of Labour. In this context:

- The management never refused to finance a single individual training project, accepted to prolong the work of the outplacement unit (from 12 to 18 months), got personally involved in the follow-up (systematic presence of the Deputy General Director in this committee).
- The outplacement company undertook to act in accordance with the aforementioned principles to help the workers to build up credible projects (notably in terms of training). Beyond its contractual obligations, it took part in co-ordinating the actions of local training organisations, leading them to adapt a more individually oriented approach.
- The trade-union delegates systematically defended the process with respect to the employees and with respect to external stakeholders (for example, when the local representatives of the Ministry of Labour “found that it was taking a long time”).

¹⁶ However, it should be emphasised that the Works Council expressed a certain number of reservations on the choice of the same outplacement company to implement the validation scheme. These reservations were above all related to the employees’ possible confusion between the Social Plan and the validation scheme.

It emerges from this experience that individual outplacements were the result of a collective action. The Social Plan was therefore used as an opportunity to make all the stakeholders responsible for finding solutions for the “victims” of restructuring.

3.3. The Validation of Work-Derived Experience (VAE), a long process of enhancing internal and external employability of workers

The exact status of the Validation of Work-Derived Experience scheme is difficult to identify in the context of this restructuring. It is fully part of it insofar as the initiative was borne out of the procedure and where certain workers were able, initially, to acknowledge its role in the redeployment of the employees made redundant. Obviously, the restructuring project was originally about the short-term closure of the Poix du Nord factory. It would have been possible to envisage the validation scheme as a final step aimed at enhancing workers’ employability by making their skills explicit for themselves and the labour market. When the extent of the redundant workforce turned out to be less than initially planned, with the return of Kenzo into the portfolio of ADDA’s contracts, it is the outplacement unit that became the main issue. When analysing the minutes of the Work Council’s minutes, one can notice that the validation of work-derived experience is indeed a marginal issue in the discussions. In the end, it appeared retrospectively in the Social Plan, which simply took a formal note of the spending of the company to explore the feasibility of the scheme.

Having been launched in the immediate context of restructuring, the validation scheme seems to have changed its purpose somewhat after the mediation as it was supposed to become “a *permanent* tool to develop “the employability of workers”, “to secure their mobility *in the medium and long term*”¹⁷, be it strictly internal [...], inter-establishment [...], external, voluntary or necessary”¹⁸. It should be mentioned, however, that the extension of the validation scheme to any worker that would be willing to take part in it constituted one of the three points of disagreement identified by the mediator in the beginning of his work. This extension of the scope of the scheme – not to say programme – beyond the population of redundant workers proper was finally obtained by the mediator who pointed out that this intrusion into the internal human resources management policy was the consequence of the agreement on the industrial diversification policy of the Poix du Nord factory.

Therefore, the validation finally acquired a broader, more permanent dimension, and gained independence in relation to the urgent social issue generated by restructuring. It became an element to support ADDA’s industrial strategy, notably by promoting the change of organisational patterns towards less Taylorian forms, more rewarding for the employees and in line with the new “service orientation” of the Poix du Nord factory. In the end, given its late implementation, the validation scheme was not only extended to all the volunteers but absolutely did not concern the workers made redundant in 2003!

Until now, opinions diverge on the purpose of this scheme: if viewed as a “parachute”, it very soon became clear that its implementation was far too long help workers whose jobs were already under threat. Furthermore, in the case of ADDA, the validation of work-derived experience through nationally recognised diplomas in the textile industry was of little interest, given the state of the sector in France. However, this does not hold the validation of “horizontal” inter-sectoral qualifications (such as those of “industrial manufacturing agent” proposed by the AFPA¹⁹) which were, in addition, potentially easier to recognise than the national “textile” diplomas issued by the Ministry of Education.

¹⁷ Emphasised by us.

¹⁸ Mediator’s conclusions report (p. 7).

¹⁹ AFPA (Association pour formation professionnelles des adultes) stands for Association for adult vocational training.

Conversely, conceived as an element of the company's policy, the validation of work-derived experience is absolutely justified. However, on the one hand, the management did not seek to learn the lessons of the validation for the place of the individuals in the company and for the labour organisation. On the other hand, initiatives aimed at recognising work-derived experience of an individual whereas all the employees had similar stories and qualifications were sometimes considered to be inappropriate attempts of some to become "a cut above the rest". In the end, at the Poix du Nord factory²⁰, only around twenty employees took part in the programme since spring 2005 in the first wave of the validation scheme, which was successfully completed in the beginning of 2006. Even if workers' motivations are hard to define, the effects on their self-confidence appear to be highly beneficial.

The limited number of individuals involved in this scheme may be explained in several ways which are not mutually exclusive:

- the procedure required considerable energy from people who were socially more vulnerable and were not very accustomed to writing;

- the management's announcement in spring 2005 of further redundancies sapped the determination of those who were hoping, through the validation scheme, to find their future in ADDA (this announcement was later reversed, but a another wave of redundancies has already been announced for 2007 when the Kenzo contract comes to an end)

- the validation scheme was launched in the immediate aftermath of the closure of the outplacement unit and was organised at Poix du Nord factory by the same operator, which compounded to the confusion between outplacement and validation. Given the experience of the first wave of departures that had shown just how unrealistic it was to hope to get a new job in the textile sector, workers at Poix du Nord were discourage to validate their experience.

The implementation of the validation scheme at the Poix du Nord factory is therefore, at the moment, in its early stages. Its effectiveness in terms of enhancing employability could not be determined at this time. It may well prove effective in the future if other redundancies are to take place in 2007. We would nevertheless conclude that validation schemes are unwieldy when developed immediately after an economic crisis. As for their contribution to accompanying a medium or long-term industrial strategy, any assessment is still premature. The effectiveness of the validation will depend on the legitimacy which the actors will attach to it and the way in which they make use of it. The qualifications which have been validated have, in turn, to be recognised by the HR management with the corresponding adjustments in terms of labour organisation. Otherwise, the process could run out of steam. In this case, the experts proposed a tool which was just inappropriate for the configuration of the stakeholders involved in the process.

As we can see, assistance schemes for the employees made redundant (like outplacement unit) as well as schemes to accompany the industrial strategy (like validation of work-derived experience) require the individuals and stakeholders to demonstrate a high level of responsibility. This is something that was not achieved when undertaking efforts to contribute to local economic development.

²⁰ These statements concern only the operation at the Poix du Nord factory. A parallel operation was undertaken at the Prouvy site, by a different operator. At Prouvy, the implementation of the validation scheme is assumed by the company of the expert who initially analysed the relevance of the project in the independent experts' report. At the Poix du Nord factory, the company which had taken charge of the outplacement unit was responsible for the validation scheme. The criteria for assigning these two operations were not analysed in this case study.

3.4. The failure of the local economic development project

As indicated above, in spite of its size which carried no legal obligation and the absence of the decree to implement article 118 of the Social Modernisation Law²¹ at the time of the events, the management agreed to contribute to the economic development of the area impacted by restructuring. This was already envisaged in the agreement on method and highlighted in the mediator's conclusion report²². The Social Plan confirmed the company's financial contribution of 60,000 euros per year for the three consecutive years in order to develop the area affected by the restructuring with the help of the ALIZE programme²³. This programme was supposed to pool funding from various public and private sources, which could amount to the total of nearly 900,000 euros.

The weakness of local stakeholders and the failure to implement the ALIZE programme

Although located in the Country (Pays) of Sambre Avesnois, oriented more towards the town of Maubeuge, the Poix du Nord factory is situated in a relatively isolated area that is strongly influenced by the city of Valenciennes. This geographic isolation along with the absence of real decision makers at the local level contributed to ADDA's not being considered as an integral part of the local economic fabric by the local stakeholders. "ADDA didn't cause any tears to be shed here," confirmed the economic development manager of the Country of Sambre Avesnois. The local actors considered it to be a Parisian company, known most of all for its local factory shop where one could find top of the range clothes for unbeatable prices. Many of the local inhabitants even continued to call ADDA by its former name, "Hartmann".

The sub-prefect (local state representative) of the Avesne-sur-Helpe arrondissement (part of the department) took up the case and became involved in the local management of the restructuring. He appeared to have been highly enthusiastic about the ALIZE programme and contacted the Country of Sambre Avesnois asking its representatives to promote it amongst the local stakeholders. Interested by the programme's endogenous development input, the economic development manager of Sambre Avesnois attempted to inform the relevant stakeholders of its advantages. The Développement et Emploi association was at the origin of the ALIZE programme was also actively involved in making contact with several local stakeholders and attempting to create the virtuous circle of collective action.

However, the absence of a real project promoter who would take up the implementation of the programme at the local level soon posed a major problem. As few of the active stakeholders were present, this role was initially assigned to the Chamber of Commerce and Industry (CCI) which had the natural legitimacy to carry out such a project. Whilst the CCI asserted its adhesion and was appointed as the local operator, its involvement

²¹ The Social Modernisation Law institutionalised the obligation of the company that undertakes a restructuring to contribute to the local economic development of the area affected by it (article 118 of the Social Modernisation Law, 2002 and article 76 of the Law of Social Cohesion, 2005). This obligation concerns nevertheless only big companies (over 1000, with the group being the relevant perimeter) that lay-off massively (more than 100 workers).

²² The fact that it was initially a definitive closure project for the Poix du Nord site probably made this position easier in the context of the agreement on method, the regional impact envisaged initially was particularly significant.

²³ Trade mark registered by the Développement et Emploi association, ALIZE (Actions locales interentreprises en zones d'emploi,) or local inter-enterprise actions in employment areas, was launched by this association and the French state. It aims to share human and financial, private and public resources within a given area, in order to promote job-creating activities. The programme hinges on the strong implication of large enterprises which offer their support to existing SME or those being created. To do so, big companies are supposed to bring together around them all the relevant stakeholders: state services, heads of communities, consular bodies, local development committees, banks, training bodies etc.

remained tentative and ambiguous. This stakeholder ultimately proved to be insufficiently motivated to lead the project, whilst the situation was in addition complicated by the change in its chairman.

The poor mobilisation of local political representatives did not help matters. On the one hand, they were scarcely aware of the economic development problems in general and on the other, the positions of those who were aware did not converge. In this case, it was not a matter of political divisions but more that of inter-municipal rivalries. These rivalries did not enable a coherent proposal to be made to the local companies or to request public funding for a clearly defined project. Yet, the contribution of public funds is one of the major sources of ALIZE funding.

At the same time, the head of the local employer's association (Medef), who initially tried to mobilise several local enterprises, retired, and his successor was clearly less favourable to the idea of the programme.

In this context, ADDA, keen to respect its commitments, attempted to take the initiative and promote the idea of ALIZE by organising a round table with the participation of the Deputy General Director of ADDA and the deputy secretary of the Works Council. Organised by Développement et Emploi association and the sub-prefect of the arrondissement, the purpose of this meeting was to convince local companies to take part in ALIZE. One of them appeared to be vaguely interested. In spite of a successful presentation, this round table did not succeed in mobilising other stakeholders. The legitimacy of a Parisian SME to federate local actors clearly appeared to be insufficient. In the absence of a strong local partner (enterprise and economic organisation structure, CCI or other), a programme like ALIZE, initiated and organised by a national structure (in this case, Développement et Emploi), cannot be established.

The future: rebound in Valenciennes?

More than two years after the signature of the Social Plan which included local economic development measures, the envisaged programme could finally begin to be introduced. However, although it did happen, it will not be operational where it was initially intended.

After the unsuccessful attempts to create ALIZE in the Avesnois arrondissement for nearly a year and a half, the idea was finally abandoned. However, it has now rebounded in the city of Valenciennes where several companies decided to pool their resources within the framework of ALIZE. To be precise, these include Alstom, France Télécom, Saint-Gobain and several big local SME. The possibility of ADDA's participation with an immediate contribution of some 60,000 euros a year seemed to have been an additional incentive which encouraged the establishment of the programme, even if the high cost of the Social Plan and the mediocre 2004 results forced ADDA to request its contribution to be postponed until 2006.

At the political level, the community quickly took up the project on board, making the most of emphatic support of the political parties from across the whole of the spectrum. The CCI at Valenciennes, far more dynamic, became the project's promoter and local operator. The presence of strong local stakeholders enabled Développement et Emploi to make a significant contribution to the virtuous circle, particularly by organising several meetings with local actors in order to present the programme and its advantages.

The precise impact of the implementation of ALIZE will be difficult to assess. The local CGT trade-union remains sceptical about its ultimate effectiveness. Neither will it be easy to demonstrate the advantage for ADDA employees who have been made redundant or whose jobs are threatened. In principle of course, the development of local employment improves opportunities for employees to be redeployed when their jobs are affected.

However, this relationship is far from automatic and assumes proper coordination between the local labour market need, outplacement effort, training and validation. This coordination could be achieved with the help of the outplacement company, with the involvement of certain local actors, such as the local office of the Ministry of Labour and the AFPA training association.

We also noted the relatively inactive stance of the local stakeholders at the Country of Sambre Avesnois, even though they are well aware of the redundancies envisaged by ADDA in 2007 in the event that Kenzo decides not to renew its partnership. Actions to work in this direction are inexistent at the moment, despite the fact that the Centre for Resources and Skills Development has been created by the town of Maubeuge to ensure the convergence of the supply and demand of skills in the local labour market. As one local manager laments, “The subject is too unpopular to be dealt with upstream. The crisis will be managed when it occurs...”.

Conclusion

An external observer would probably not qualify this restructuring as “genuinely innovative”. To be sure, there are numerous original elements in there, be it the report of independent experts integrating industrial, HR and territorial aspects, the mediator’s conclusion report (a highly interesting document in many respects), the validation scheme or the signature of one of the first agreements on method (with a very elaborate content).

Of course, the qualification is always a matter of personal appreciation. But even if one avoids qualifying this restructuring as “innovative”, it does appear exemplary. It is exemplary because the quality of the social dialogue and that of the measures to find solutions for redundant workers were substantially superior to what one might have expected in a company of this size and this sector. But it also looks exemplary because these measures were used in the exact conformity with the spirit that was at the origin of their conception. The parties played the game in an intelligent way within the frame imposed at first by the legislation and later by a contractual arrangement, without attempting to use the rules for their own benefit exclusively.

One can certainly argue that this result is a rare (and thus unfortunately non-transferable) coincidence of enlightened managers and trade-unionists, competent and passionate experts, financial health (relative, to be sure, but Saint-Laurent’s compensation does provide some latitude) and available time (the contracts are still in force when the process starts). Obviously, things would have been different if this restructuring had been managed by ideologically-minded hardliners, if the contract denunciation had been sudden and immediately executable and if ADDA had been unable to pool sufficient financial resources.

However, the protagonists managed to use this fortunate coincidence by accepting, in the beginning of the process, to opt for a thorough and systematic discussion (through the negotiation of the agreement on method) that obligated the management to be clear and transparent as to its strategic choices and the employee representatives to adopt a responsible attitude as regards to the economic constraints. The agreement on method appears to have been the key element of this restructuring. Strictly respected by the management under the vigilance of the worker representatives, it allowed the Works Council to get hold of the information and dispose of tools to analyse the restructuring project, lifting the debate on economic issues to an unusually high level in France. In addition, beyond the ingredients that are part and parcel of the general context (socially responsible management, the quality of

employee representatives, common trade-unions' strategy etc.), the clause constraining the management to look for an agreement on the social plan played an essential role and influenced the final results in the social area. Finally, the agreement on method triggered the dynamics of negotiation that continued beyond the date of its signature and lasted till the end of the procedure. For this reason, the feeling of pride is apparent in many interviews. Even if the protagonists do not agree to qualify this operation as a "success", everybody believes to have played their role correctly and returns the compliment to their partners/adversaries. This feeling of satisfaction is not neutral. Indeed, it illustrates once again that a decision can be perceived as less unjust and more acceptable when the weakest negotiating party – workers and their representatives in this case – has the possibility to adopt a posture that would be critical but at the same time realistic and oriented towards the future. The procedure conducted according to a set of legitimate rules contributed to the feeling of having achieved something and having arrived at a just decision, whatever the real result of the process might be.

But there is obviously more than that in the case of ADDA. The favourable dynamics triggered by the agreement on method was later used in an intelligent way to create and implement an elaborate and consistent programme of redeployment whose functioning was constantly controlled by the management and the trade-unions. Even if the results of the outplacement unit are close to the national average, one should certainly take into account the particular characteristics of the redundant workers and the difficult economic situation of the area. The management did not try to economise on training and other measures facilitating career transitions. In addition, the redundancy payments obtained by the workers after a period of conflict were quite substantial. All this equally contributed to the feeling of a fair deal. This time, however, the result is much more tangible and one can speak of "distributive justice".

Finally, the validation scheme that was initially introduced to "create conditions for the success of outplacement efforts"²⁴, turned subsequently into an instrument of forward-planning management. Today, the stakeholders inside the company seem to consider it as an instrument to develop professional and psychological mobility of workers that are running the risk to lose their jobs in the medium run or see their working conditions change. If the scenario of Kenzo's not renewing the contract is to materialise, another downsizing will have to be made in 2007, which poses the question of the future of the Poix du Nord factory. If this future exists, it will be constructed on the basis of the collective competence and know-how of ADDA in France, but will require a considerable evolution of organisational patterns and positioning in specific market niches. The strategic prospects that resulted from the discussions in 2002 will thus be tested against the economic realities and the political will of the ADDA management.

²⁴ Agreement on method, provision 2.2.

4. Annexes

4.1. Annex 1: List of interlocutors

Insiders

- Deputy General Director
- Deputy secretary of the Works Council at the time
- Director of the Poix du Nord factory
- Shop stewards at the Poix du Nord Factory

External stakeholders

- Mediator
- Two accountants working for the Works Council and head of the department « Restructurings » of the accounting company
- Two of the three experts responsible for the economic analysis
 - – in charge of the industrial and strategic analysis
 - – in charge of the work organisation and competence upgrading analysis as well as of the feasibility study on the VAE scheme and its implementation at the Prouvy site
- Head of the outplacement unit
- Two consultants of the outplacement unit
- Responsible for the economic development at the Sambre Avesnois Country
- President of the association at the origin of the local development scheme

4.2. Annexe 2: Chronology

- Beginning of 2000: takeover of Yves Saint Laurent by PPR provokes doubts of the Works Councils regarding the conditions renewing the licence contract expiring on the 31/12/2001.
- August 2000: YSL denounces the contract.
- September 2000: the management informs worker representatives of the denunciation presenting it as a formality to put pressure on the company in the negotiation process
- November, 29 2000: considering the risks of losing the licence contract the Works Council starts the “alert procedure”.
- January 2001: The contract with YSL is prolonged for one season (i.e. till the 30/06/02), and the management reaffirms that no redundancy will take place before October 2002, the deadline of its commitment to maintain employment related to the working time reduction agreement.
- March 2001: Report of the accountant is submitted to the Works Council.
- May 2001: the Works Council establishes its own intermediate report making use of the main conclusions of the accountant and demands implementation of preventive measures.
- July 2001: agreement with YSL allows pushing redundancies towards the year of 2002 while obtaining financial compensation.
- September 2001: loss of YSL licence is confirmed, the Works Council defines the tasks of the accountant for the second stage of the “alert procedure”. The management repeats its commitment not to make anyone redundant before October 2002 and announces that it is looking for alternative solutions.

- November 2001: at another extraordinary Works Council meeting, the management is asked about the conditions of the renewal of Kenzo's contract (the expiration date is the 31/12/01).
- December, 19, 2001: Kenzo denounces its licence contract.
- December 2001: suggestion of the management, refused by the Works Council, to create a special commission assisted by an independent expert.
- January 2002: the management informs the Works Council that Kenzo has officially notified the non-renewal of the licence contract beyond its expiration date, which is the 31/12/03. This implies the closure of the factory in Poix du Nord and even the disappearance of ADDA.
- February 2002: the expert submits its report concerning the second stage of the alert procedure that concludes on the necessity to open a transparent procedure in order to look for a future of the company, the communities where it is implanted and its employees.
- March, 20, 2002: a restructuring plan is presented by the management, the trade-unions ask to suspend the procedure to negotiate an agreement on method.
- April, 29, 2002: the agreement on method is signed.
- July, 2002: the report of Betents Consultants (independent) is submitted.
- July, 26, 2002: Kenzo signs another contract until 2007.
- October, 16, 2002: meeting within the framework of the official redundancy procedure presenting independent experts' report as well as the response of the accountant (Works Council's expert) to this report.
- October, 23, 2002: the management responds to the criticisms of the accountant and to the alternative solutions put forwards by the Works Council.
- February, 5, 2003: Mediator's conclusion report is signed.
- May, 20, 2003: the social plan is finalised.
- September 2003: the outplacement unit starts its operation.
- March 2005 : the outplacement unit finishes its work
- March 2005 : the first validation programmes are launched.

4.3. Annexe 3 : thèmes transversaux

Thèmes transversaux	Contenu	Pages
<i>Restructuring and social responsibility of companies</i>	Description of the company and its economic situation (1.1., 1.2., 1.3., 1.4, 1.5.) The attitude of the management towards negotiation with the trade-unions (2.1.) Three points of disagreement with the trade-unions (2.3.) Dealing with redundancies	pp. 2-5 p. 6-7 pp. 10-12 pp. 13-21
<i>Restructuring process</i>	Beginning and development of the negotiation process (2.1.) Main characteristics of the negotiation process (2.2.) Dealing with redundancies	pp. 5-7 pp. 8-10 pp. 13-21
<i>Trade-unions and their strategies in restructuring</i>	Description of the trade-unions (1.1.) Negotiation strategy of the trade-unions (2.1.) Relationship between trade-unions and workers (2.2.) Three points of disagreement with the managements (2.3.) Negotiation strategy: first, redeployment measures, then redundancy payments (3.1.) Strong implication of partners (3.1.)	p. 3 pp. 5-7 p. 9-10 pp. 10-12 p. 13 p. 17
<i>Restructuring and impact on local economies</i>	Situation of the local economy Failure of local reindustrialisation efforts	p. 14 pp. 19-21
<i>Public employment service</i>	Strong implication of actors (3.2) Validation of work-derived experience (3.3) Failure of local revitalisation efforts	p.17 p. 18-19 pp. 19-21
<i>Restructuring and health impact</i>	Operation of the redeployment taskforce (3.2)	pp. 16-17