

Case study BIO Belgium

Executive summary

This study presents the restructuring process that took place in a biotech company. Founded in 1985 by a Professor at the University of Liège, Bio experiences a period of strong growth and international expansion between 1996 and 2003. At that time, the company employs 310 workers. In Belgium, the activities are structured in two business units: "Tools for Genomics and Proteomics", with a rather standardized production process, manufactures and sells oligonucleotides, peptides and antibodies, "Biologics", composed of more qualified workers, develops therapeutic products for third parties. As it is generating 75% of the turnover, it is largely admitted in the company that the first unit ensures the survival of the second one.

Beginning 2004, the company faces a sharp change in its environment. It registers a loss of 1.6 million euros and the forecasts regarding the national and international markets are pessimistic. For the management, restructuring is unavoidable. The study shows how, despite a late communication on behalf of the top management, the members of the Biologics business unit will try to find an alternative. Thanks to the voluntary switching of 15 persons to 4/5 time, 3 lay-offs will be avoided in the department. Today, the financial situation and the prospects of the company are improved, but the feelings in relation to the operation and the manner in which it has been managed are mixed.

Monitoring Innovative Restructuring in Europe

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Monitoring Innovative Restructuring in Europe

MIRE

CASE STUDY

BIO

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English version – March 2006
(Version française disponible sur simple demande)

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I. *Persons interviewed*

COMPANY	FUNCTION	TYPE OF PLAYER
Bio	HR Manager	Employer
Bio	Finance manager	Employer
Bio	Employee Supervisory staff representative (Confédération Nationale des Cadres)	Worker
Bio	Employee	Worker
Bio	Employee	Worker
Bio	Employee	Worker
Bio	FGTB union representative	Trade union
Bio	CSC union representative	Trade union
FGTB	Permanent secretary	Trade union
A.TH.	Manager	Consultant/Expert
Onem	Spokesman	Public body

II. General information

II.1. Bio

Bio is a service company working for the new medicines research and development industry. Its activities are structured around two major poles or business units: the “Tools for Genomics and Proteomics” unit (BUGP) supplies high-performance tools for molecular biology. In this context, it manufactures in particular oligonucleotides, DNA chain sequences, peptides and antibodies, but it is also involved in the distribution of accessories ranging from simple plastic tubes to enzymes or biochemical compounds. 80% of its clientele is comprised of academic circles, with the rest being made up by the pharmaceutical industry. The second unit, called “Biologics” (BUB), develops products based on recombinant proteins technology on behalf of third parties. This technique consists in the genetic modification of a virus or bacterium in order to try to obtain a therapeutic process. In this case, the principal is either a pharmaceutical company or a biotechnology company. The first unit accounts for about 75% of turnover (60% for Genomics and 15% for Proteomics) and the second 25%.

Bio differs from conventional biotechnological companies in having a limited risk profile. In fact, in its R&D activity on behalf of third parties the risk – and the advantages in the event of success – is borne entirely by the client. As regards oligonucleotides and others, it is a question of “industrial products”, i.e. for which the production technique used for 12 years has largely been mastered. Consequently, they are only exposed to commercial risks.

The company’s headquarters are in the science park of Sart-Tilman, in Liège. At present, Bio employs 280 people. The organisation chart is given below.

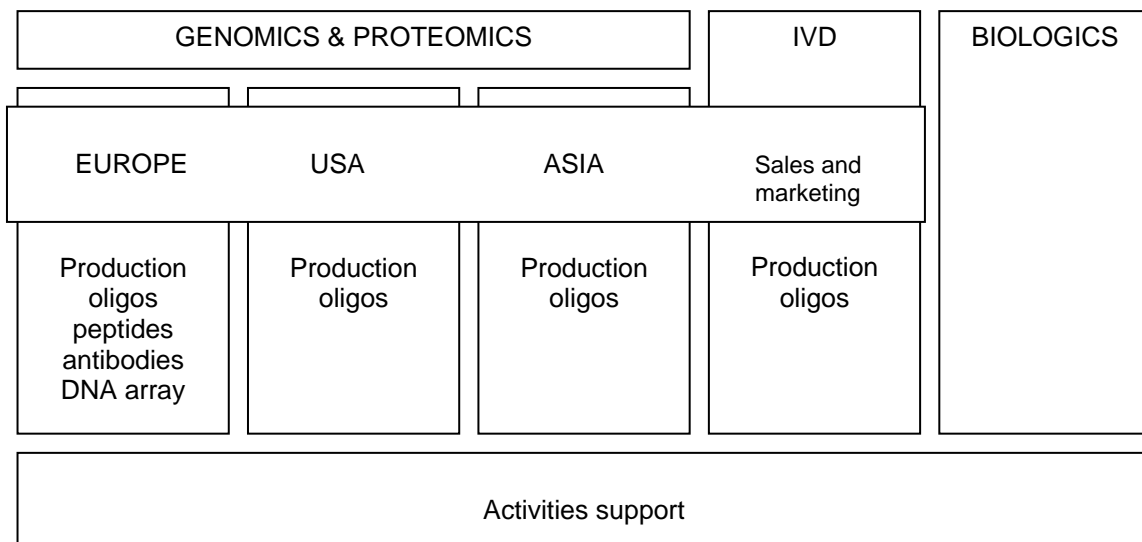


Chart 1 : Organization Chart 2005
Source : Bio internal document

The structure is of the open-networked type: the foreign production sites report not only to their local manager but also to the Belgian production manager. The sales and marketing manager is also in charge of the company's international activities.

IVD means "In Vitro Diagnostic". This activity concerns the production of oligonucleotides intended for diagnostic kits. These products must meet stricter manufacturing standards. At the moment, they represent 10% of production but this activity is going to develop in future because it generates a higher added value.

Background

Bio is a spin-off of the University of Liège, founded in 1985 by a university professor having spent several years in the United States. The initial objective in the creation of the company was the development and marketing of pharmaceutical products. In 1987, Bio's initial business activities were modest. Four people were responsible for evaluating the results of research conducted at the university. It was a question of developing products intended for the fish farming industry. Bio, which did not have its own financial resources, was actively seeking funds. Confronted with the refusal and procrastination of potential public and private investors, Bio envisaged starting up commercial activities likely to generate cash pending the possible arrival of business investors. It was at that time that the idea emerged of selling oligonucleotides. The company had a DNA synthesis machine allowing such components to be produced. Purchased for 25,000 Euros, it was only being used at 20% of its potential. The idea was to increase its profitability by placing it at the service of other researchers interested in acquiring oligonucleotides. At the time, nobody else was selling them in Belgium. When they were needed, they bought a machine that could produce them, a tool which nobody thought of using for commercial purposes. Bio quickly established a clientele and sales grew substantially. A second machine was purchased, intended exclusively for commercial ends and Bio recruited its first employees to deal with the production and sale of oligonucleotides.

Alongside the development of its service business, Bio was conducting some very promising research in its core activity. From this emerged a project for a product with an immense potential market: Smoltine. This is a growth protein for trout and salmon. It enables fish farmers to ensure that young salmon can successfully move from the fresh water of the fish farm to the salt water of the sea, without a high mortality rate and with good growth potential. Consequently, this product (for which Bio is the world leader in R&D) would enable the company to conquer a large share of the salmon market, where world production is put at a billion units. In 1995, when the first results were about to be obtained, the European Commission blocked the vaccine and thus plunged the company into inextricable difficulties. In fact, Europe, with its excess agricultural production, was obliged to pay financial compensation to farmers to avoid a price collapse. Against this background, any production aid was very badly perceived because it added to the overproduction spiral. Consequently, the European Commission refused to authorise the sale of the growth protein for salmon developed by Bio. It thus brought the development of Smoltine to a halt, which placed Bio in a very perilous situation. The company had gambled everything on this product. In particular, it had built a factory and raised capital to begin large-scale production.

To avoid bankruptcy, the Board of Directors decided to give the company a new business orientation: cutting back on staff and separating the healthy service business from the pharmaceutical activity that was in difficulties. The former continued under the name of Bio, whilst the latter was renamed Pharos. It is linked to Bio by common shareholders. To make

the factory that it had constructed profitable, the Bio management began to canvass different companies in the country to identify those which might be likely to subcontract their production to Bio. Fortunately, a major subcontracting agreement with the pharmaceutical research multinational SmithKline Beecham enabled the company to keep its activity going and then open up to new clients. It was then decided to give up research, too expensive in terms of its own funds, and to focus on oligonucleotides and pharmaceutical subcontracting. This new vision was to be accompanied by a change in management. In 1996, administration of the company passed from a scientist to a manager (the former finance manager).

In this way, Bio, which wanted to be a pharmaceutical company itself, gradually turned into a service company for drugs companies. Whilst at first the production and marketing of laboratory equipment developed marginally, to serve as a source of financing for the development of pharmaceutical products, it steadily changed over from a subsistence activity to a strategic activity due to its high profitability in the short and medium term. This trend was also reflected in changes in staff. In the first stage, the growth in numbers of personnel was concentrated above all in the R&D team, which in four years increased from four people to over thirty. However, as from 1992 growth would essentially be to the benefit of the laboratory equipment production department, whose activities were to assume growing strategic importance. Thus, as the company developed more diverse personnel were recruited (company pharmacist, maintenance engineer, sales representatives, etc.), along with less qualified “support personnel” who would be used to strengthen the R&D teams (laboratory technicians, etc.) and the team producing and selling laboratory equipment (salesmen, secretariat personnel, etc.).

Between 1996 and 2000, the company was to enjoy impressive growth: turnover rose from 1.4 to 15.8 million Euros and the number of personnel from 30 to 153. Pharos was then reincorporated into the company to form the "Biologics" business unit. As from 1999, Bio embarked upon an international expansion and bought out a British competitor. In 2001, the company set up a joint venture, Nippon EGT, with a Japanese company. In May 2002, it opened up a commercial subsidiary in the USA and took control of a small German structure. In 2003, it created a joint venture in Singapore and took over a competitor in California. Its success was recognised with various awards: in 2001, Bio was elected “Belgian entrepreneur of the year” and in 2002 the Walloon Region awarded it a prize for its exports in Europe.

The development of Bio seemed to know no limits. Between 2001 and 2003, turnover rose by 60%. To cope with this growth, the company constructed a new building and took on additional personnel, mainly in the Biologics unit. During this period, the personnel increased from 150 to 320. At the end of 2003, the company employed 310 people, of whom 237 in Belgium distributed as follows:

<i>Department</i>	<i>Number of employees</i>
Biologics Business Unit (BUB)	80
Genomics & Proteomics Business Unit (BUGP)	90
Services support (including sales and marketing)	67

II.2. Problems encountered

According to the people interviewed, the end of financial year 2003, closed in March 2004, proved to be "catastrophic": the company reported a loss of 1.6 million Euros and the forecasts for 2004-2005 were very pessimistic. Several factors were mentioned to explain this situation. Firstly, Bio was faced with a substantial fall in demand, both for the "Biologics" BU and the "Genomics & Proteomics" BU. The former suffered a drop of 40% in business following the bankruptcy of one of its main clients. On this market, the search for clients was difficult and took up a great deal of time. The BU had however just received some considerable investments. The latter unit, whose clientele was much less concentrated (over 1,000 clients), suffered from the slowdown in R&D on the European market (particularly in France, following the halt to research appropriations). It has to be borne in mind that 75% of BUGP clients were in the public sector. The French represented 50% of accumulated turnover and between 25% and 30% of total turnover. In addition, thanks to new high-performance technology, a competing company had acquired half the market shares. The BUGP was also faced with an intensification of competition from France and Germany, which led to strong pressure on prices.

The situation was also explained by substantial depreciation during financial year 2003-2004. Furthermore, the relocation of the BUGP led to delays in delivery and the loss of several clients. At international level, prospects were also gloomy. With the takeover of the British production unit in 1999, Bio had hoped to increase its turnover. In practice, it was the opposite that happened.

Faced with this situation, the company started a process that was to lead to restructuring. According to one of the managers interviewed, "as from March 2004, everybody at Bio was aware that a restructuring was necessary".

II.3. The restructuring operation itself

Initial action focused on foreign subsidiaries

In March 2004, the first action, prior to the decision to declare that it was restructuring, consisted in closing down the unprofitable German subsidiary. Six people there were made redundant.

In May 2004, the executive committee, alerted by the financial management, realised that it was necessary to establish a restructuring plan "as a matter of survival". It was decided to review the company's structure to adapt it more closely to its business activity, which it did without consulting the trade union representatives. The management then decided to close down the British site because fixed costs there were high, the development potential was limited and its business could be absorbed by the Belgian site. Moreover, an analysis revealed that deliveries would be quicker from Belgium and costs would be lower there. In addition, some products had to pass through Belgium in any case. Thirteen people were thus made redundant in the United Kingdom. The head of production and a developer were taken on by

the Belgian site. The sales representatives, on the other hand, carried on with their activities on the spot, under the management of the parent company.

Preparations for the restructuring of the Belgian sites

As indicated above, the executive committee decided in May 2004 to react and make some choices: to maintain an efficient structure, costs had to be cut to offset the loss of clients. Around June-July, the committee decided to freeze investments (except for those in computer equipment) and recruitment and to limit overheads and entertainment and travel expenses.

Following the summer holidays, in September, the heads of the business units were asked to draw up a redundancy plan. Selection of the persons concerned was a delicate matter: the company had to maintain its flexibility and be in a position to respond swiftly to any new client. In the “Biologics” BU particularly, the time required to train employees was long because pharmaceutical rules and procedures are hard to master. It was therefore necessary to keep the most experienced employees. In these circumstances, the use of temporary manpower could not be envisaged. Furthermore, it was necessary to bear in mind the psychological impact of any resumption of activities after the redundancies.

According to the human resources management, selection of the people to be made redundant was based on several criteria: whether or not they belonged to an abandoned department, were in a non-vital function (secretariat, surface technician) or formed part of a team with surplus capacity (according to assessments).

The idea of a reduction in working time

Before being officially informed of the restructuring (in September 2004), the personnel were already aware that Bio was going through a difficult patch. Firstly, employees noticed a considerable reduction in the amount of work. Secondly, in his (quarterly) communications to the personnel the manager announced a 40% fall in turnover, although he was reassuring and presented the situation as being of temporary nature. Restructuring was never mentioned at that meeting. However, the different interviews demonstrate that this possibility was gradually forming in people’s minds as a result of rumours.

In September, the head of the Biologics BU confirmed the rumour to his team: eight people were to leave the unit. The selection criteria were not yet well defined. “It could have been anybody. We just knew that all the departments would be affected” (employee). In effect, every head of department had to designate the individuals that the company could do without. The operation was intended to bring down the wage bill. “This really was the problem that was put to us. We were being told repeatedly that we were too expensive!” (team leader).

Faced with this news, two BUB team leaders had the idea of working shorter hours so that all employees could keep their jobs. “Suddenly, x and I said to ourselves: since there is not enough work for everybody, we’ve just got to reduce our working hours! It was so logical to me!” The head of the unit was very much in favour of the idea, provided that everybody made the effort, in other words that all the staff switch temporarily to 4/5 time. She seemed very confident in the revival of the company. Immediately, all the members of the BUB were called together and informed of the situation. The purpose of this spontaneous meeting was to test their reactions to the idea from the two team leaders.

A written vote was then organised: “would you be prepared to work shorter hours for a temporary period?”. Everyone was asked to state an opinion on the principle, with the practical details still being unknown. Result: 80% of the replies were positive. Some questions were still outstanding, however. The head of the unit then proposed that everyone take a day or two to write down his or her questions and give them to him. The questions essentially concerned the subsequent possibility of returning to full-time work, the length of the reduction in hours worked, the pay impact, the effect on annual leave, etc.

With the help of a few people (particularly the two team leaders at the origin of the proposal), the head of the unit sought out information “more or less everywhere”. It was then that he discovered a possibility of financial compensation through the legal “time credit” system. This system allows an employee to interrupt his professional career completely or partly and receive an allowance from the national employment office (Onem) over the period concerned. However, two conditions had to be fulfilled to benefit from this: 1) a collective agreement had to specify the increase in the percentage of staff likely to be concerned (as a general rule, the limit is fixed at 5%, which was too little for the operation that they wanted to carry out); 2) the volunteers had to have over 5 years’ seniority.

According to some reports, the trade unions were not involved at this stage: “they seemed to be caught unawares” (team leader); “they didn’t appear to know any more than us!” (employee).

The “official” announcement of the restructuring of the Belgian site

A few days later, the restructuring was officially announced at an extraordinary meeting of the works council. The management told the trade union partners of the reasons for the restructuring and the number of people concerned. As one of the leaders interviewed put it, “the decision to restructure was taken behind closed doors”. In effect, the company did not have a great tradition of social consultation. It was young and the presence of a trade union delegation was recent. For the management, the process had to take place quickly. It was necessary not to create any “psychosis”. Furthermore, the Renault Law was not applicable since the redundancies concerned less than 10% of the total staff. As one of the people interviewed commented, “communications were never very effective in this company”. The management systematically communicated every quarter the prospects and financial results, but any other communications were somewhat informal and unplanned.

Following the extraordinary meeting of the works council, the joint negotiations began. They essentially concerned two proposals. Firstly, the two trade union representatives (CSC and FGTB), in consultation with their permanent secretaries¹, submitted the proposal for a reduction in working time via time credits to the management. It seems that this idea was the only alternative envisaged to redundancy pure and simple. Initially, the management, who had already heard of the team leaders’ idea, did not seem to be very much in favour of putting it into practice. In a way, this approach ran counter to their view of the situation and the way in which the restructuring was to be carried out and would complicate subsequent operations. “It would have been simpler to make people redundant” (team leader). Faced with this difficult situation, the members of the executive committee seemed to want to give priority to swift action. The management also explained its hesitation by the fear of widening the split between the two business units. “There are two companies in one. The first is regarded as a

¹ = Their officials within the trade union organisations

group of intellectuals with high profiles whilst the second, which “mass-produces” proteins, is considered to be the milk cow employing less qualified personnel”. In addition, if the situation did not improve in six months, the management would have to make a second wave of redundancies to compensate for the return to full-time work of the fifteen employees. According to them, this entailed a risk of causing an even greater trauma.

Finally, the management accepted the proposal passed on by the trade unions. Redundancies would be avoided by a group of five people changing to 4/5 time. However, the operation was limited to the Biologics BU. Furthermore, the management reserved the right to refuse to allow certain individuals to participate. “We really had the feeling that the management were dragging their heels” (a trade union representative). In return, the trade unions wanted the management to make “a gesture” towards the volunteers for time credit. This request was not met. On the other hand, still at the request of the trade unions, the management agreed to provide an outplacement service to all the persons made redundant. It would contact a small agency in the region specialising in this type of services and “recognised” by the trade union organisations. This agency took the special step of proposing accompaniment unlimited in time, which would continue until the individual had found a job that suited him. In this way, if at the end of the trial period the individual realised that the job obtained did not correspond to his expectations, he could leave and once again receive outplacement assistance.

The morning after the meeting of the works council, the information was passed on by the media. This was therefore the way in which the majority of the personnel heard the news. The action was not appreciated by the Bio management, who would have preferred to inform the staff themselves. From that moment on, events started to move very quickly. At the beginning of the day, all those in the “Biologics” unit with over five years’ seniority were called to a meeting. As indicated above, this seniority condition was required in order to be able to receive time credit. This group was joined by two other employees more recently recruited to Bio but who, as young parents, could request parental leave. The situation was presented in this way to the meeting: redundancies would be avoided by the group of five people changing over to 4/5 time. The reduction in working time was planned for a period of six months. Each volunteer could receive an allowance paid by the Onem. However, if after these six months the figures had still not improved, redundancies could not be avoided. A vote by show of hands was then organised: 25 employees (including supervisory staff) volunteered.

The management then decided to give them an hour to reflect. The volunteers were subsequently called one by one to a room where the general manager; the human resources manager and the head of the Biologics BU were present. In this interview, they were asked to sign a formal application for time credit. In this way, the management also wanted to ensure that each participant was well aware of the consequences of the operation and that nobody was placed under any pressure. For one of the two team leaders at the origin of the idea, this move was quite legitimate. In fact, some people could have given their agreement under the influence of the group as a whole. For the other, this brought indignation: “Why do we have this triumvirate?! Nobody has pressurised anyone! We clearly told everybody: let’s just do what we can!”

The interview also seemed to be an opportunity for the management to refuse time credit for supervisory staff, whom they regarded as “indispensable for the operation of the organisation”. Finally, fifteen people signed the document and thus allowed three redundancies to be avoided. Unfortunately, if the supervisory staff had been able to participate two further redundancies would have been avoided. Among the people who were

not made redundant, or were “saved”, according to the expression used by the different interviewees, one team leader confided in us that she had recently learned with a certain bitterness that one member of the supervisory staff had been involved. The fact that supervisory staff had been able to benefit from the gesture made by the personnel, even though the management had refused to allow them to participate, was badly viewed by part of the personnel. Several people interviewed regretted the fact that the head of the Biologics BU had not backed the idea of departures based on a collective effort, with no distinction among categories of employees.

The management then called in the employees made redundant to give them, each one in turn, an official redundancy notification (called a “C4” in Belgium). This moment is reported to have been very difficult for all those concerned. “We saw people queuing up in the corridor!” (employee). At the end of the day, a general meeting was organised. The management then explained the situation to all the personnel, the reasons for the restructuring and the economic prospects.

For application of the time credit system, a collective agreement was signed by the management and the permanent trade union officials so as to increase the percentage of staff likely to be concerned to 7.5%. Subsequently, each volunteer was called in by the management to sign an additional clause in the employment contract. A calculation of the salary, before and after the reduction in hours (with allowance) was attached to the document.

II.4. Results of the operation

II.4.1. Results of the operation in terms of employment

As indicated above, fifteen people (five men and ten women) changed to 4/5 time, which allowed the number of redundancies to be limited to five in the Biologics BU. The career break allowance was such that everyone “lost” less than 20% of his or her salary. In practice, this meant a monthly loss of 100 Euros per individual, with the difference ranging from 50 to 200 Euros, according to one team leader.

In the Genomics and Proteomics department, the closure of the two foreign sites led to an increase in business, which allowed substantial redundancies to be avoided: two production operators were made redundant, along with a logistician. In the support department, three salesmen and two secretaries lost their jobs. In all, thirteen Belgian employees were made redundant. All received severance pay calculated on the basis of the Claeys scale². Furthermore, as indicated above, the thirteen people made redundant benefited from an outplacement programme, the cost of which was covered in full by the company. Twelve found another job, most of them very quickly (within three to four months following the restructuring) in the same sector. One person, who planned to become self-employed, requested longer accompaniment (a year). The thirteenth did not remain in contact with the agency.

² This is a method based on a statistical analysis of case law and determined by three factors: age, seniority and pay.

In addition, ten employees chose to leave voluntarily. In fact, as in most cases, the restructuring had a negative effect on the working environment and on the confidence of the employees in the company's future.

At the same time, the General Manager of the Genomics & Proteomics BU was made redundant without being replaced. On the other hand, a position of sales and marketing manager was created with, as additional duties, the company's international activities.

In Germany, the closure of the site led to the six employees there being made redundant. In the United Kingdom, the closure of the factory resulted in 13 people being made redundant.

As soon as January 2005, the executive committee observed that the restructuring had borne its fruit, with results becoming positive. A financial analysis shows that the breakeven point (when turnover exceeds costs) was achieved between January and March 2005. In March 2005, 13 of the 15 volunteers returned to full-time work. Two participants, both mothers, preferred to keep their part-time jobs. At that moment, the situation was still not completely positive but the voluntary departure of some employees and better prospects for the future prevented any further redundancies. Since the first quarter of 2005, turnover has risen by 15%. And since April-June 2005, Bio has begun recruiting new personnel. At present, the company employs 280 people.

II.4.2. Cost of the operation

The redundancy procedure cost 350,000 € in Belgium and 50,000 € in the United Kingdom for a similar number of redundancies and for personnel on a similar pay level. This large difference is explained by very different levels of legal and contractual compensation³. The cost of the operation in Belgium also included the cost of outplacement (39,000 €) for individualised accompaniment over an unlimited period of time for thirteen employees who had been made redundant. Outplacement was completely covered by the company without any reduction in severance pay.

The six German redundancies cost 37,000 €. According to the company heads, this considerable amount was due to the high profile of the personnel made redundant.

II.4.3. A still fragile revival

The viability of the Biologics BU is a recurring question at Bio. The results of the first quarter of 2005-2006 are mediocre. "The problem is that we do not have long-term clients. We are short of goodwill. We know that we have been living from hand to mouth since the beginning. We know that it is the other unit that has been bailing us out" (a team leader). The situation is still seen as being unstable. Until recently, the management was looking for a buyer. One big company was interested, but now it seems that the partnership alternative is gaining favour.

This information was not communicated formally to the personnel. However, the employees interviewed talked about it spontaneously. They seem aware of the difficulties encountered by their unit. "I know that R&D is a major cost for the organisation" (employee). In these

³ In Belgium, redundancy is accompanied by substantial severance payments which are at least equivalent to three months' full-time pay (cf. National Overview).

circumstances, they see the future in very uncertain terms. “I don’t know if I’ll still be here in five years”, one employee told us. For one team leader, the takeover of the Biologics BU could protect the unit in that they would no longer be “constantly fighting to survive”. At a pinch, I would be relieved to be taken over!”

II.4.4. A modification in corporate communication

The description of the process highlights an underdeveloped and formalised internal communication system. The restructuring was not announced to the employees’ representatives until late on, at the meeting of the works council. It was only after the redundancies had been carried out that the management decided to get the personnel together to explain the situation to them. It was informal exchanges which led to the emergence of an alternative to some of these redundancies.

Since the restructuring, the executive committee has said that it is aware of the need “to communicate differently with the personnel”. This desire has resulted in more regular communications (the quarterly meetings now take place systematically) and, according to the human resources management, are more open. During one meeting, for instance, the subject of restructuring was raised.

II.4.5. Evolution of the social dialogue

The people interviewed were unanimous in reporting an underdeveloped institutional social dialogue at Bio. The employees’ representatives felt that there was very little possibility of action. Firstly, the staff were young and the majority were not trade union members. The company culture was therefore unfavourable for intervention by trade unions. Secondly, the management was seen as not being open to institutionalised social dialogue. "The door is always closed", said one union representative. "And you always have to go through the human resources department!" One manager conformed this: "really, there is no desire on the part of the management to open up a dialogue with the trade unions".

However, most of the players questioned have noticed a change since the restructuring. The union representatives seem to have gained in self-assurance and the personnel appear less content to be “pushed around”. The atmosphere would seem to be more open to demands. With the signing of the company’s first collective agreement (for enlargement of the time credit scheme), the trade unions hoped in any case to trigger off a formalised social consultation mechanism. At the beginning of 2005, when the company’s economic position had improved, a number of demands were presented. The main ones concerned pay, quality of life (seniority leave, opening of a crèche in the zone, etc.) and concretisation through the company’s collective agreement of informal agreements reached in the past. The objective was to allow the employees’ acquired rights to be maintained, particularly in the event of part of the company being sold off.

The management did not share this formalisation objective because they considered that in this type of young technological company employing a mostly skilled personnel and having a “family” tradition, such mechanisms considerably and unnecessarily burdened relations between employees and employers.

As the management therefore refused to enter into this sort of formal dialogue, the employees' representatives requested the organisation of a conciliation meeting with the joint committee (chemical industry). Once again, the management refused to take part in negotiations of this kind. The trade union delegation reacted by issuing a first threat to down tools. However, as support from the personnel had been very weak, the media were used to put pressure on the management, thus running the risk of tarnishing the image of the company and its manager, who was present in various local associations.

To improve the staff's working conditions, the management recently proposed to grant the personnel certain bonuses, particularly partial reimbursement of travel costs to and from work. However, this decision was announced as having no link with union action.

Nevertheless, the union representatives have recently noticed a slight change in the attitude of the personnel, due in their opinion to a "general dissatisfaction". It must be pointed out that all the employees questioned mentioned a loss of confidence in the Bio management. The management and the unions also emphasise a loss of motivation in people. Turnover is relatively high (12-13%). For the union representatives, this observation is to be viewed in the light of the poor pay conditions and low advancement possibilities offered by the company. "Often, when a place in the hierarchy is vacant, they recruit someone from outside!" They also highlight the inequalities between operators and supervisory staff. For their part, the management consider that this situation is due to the consequences of the restructuring.

II.4.6. The perception of the operation by the different players involved in the restructuring

Employees volunteering for shorter working hours

The feeling that originally motivated the action by the personnel was one of solidarity. The initial idea was as follows: if everyone made an effort, everybody could keep his or her job. At that stage, no compensation was envisaged. According to the team leaders, at the time when the idea came up nobody analysed the consequences. "We were all gathered together here, the idea was proposed and a lot of hands were raised. There was a great outburst of solidarity."

In hindsight, feelings now are more qualified. "It was nice, but very naive!" (team leader). Was it really up to the personnel to take on this responsibility? Several people have asked themselves this question. Furthermore, the way in which the process was managed had some shortcomings which left a bitter taste in the mouths of the volunteers. For instance, some of them regret the fact that information from the management was rather late in arriving; earlier information would have allowed people "to see things coming less brutally".

The greatest disappointment among the personnel seems to be the restrictions imposed by the management on the participation of supervisory staff. This decision substantially altered the initial idea that everyone should participate. Faced with this, one employee reported feeling "trapped". In these circumstances, he admits that he would not take such a step again. For him, the sacrifice was real. He was a young parent and had just bought a house. As his wife worked half-time, the difference in the household's income was quite appreciable (150 € less per month). His feeling now is that he was abused in a way.

The management's refusal to offer a little compensation was also very badly perceived. "We asked for a small gesture, if only 25 Euros, some luncheon vouchers, anything. We gave the boss a gift. We enabled him to cut his costs and thanks to us he did not have to pay for any notice"(employee).

Other replies are along these lines too. This feeling of injustice is strengthened by the inequalities that are seen (from the point of view of salaries and benefits) between on the one hand the management and supervisors and on the other hand operators. The latter consider their salaries to be far from the most advantageous on the market, whereas many supervisors, for example, have a company car. Poorly explained and justified, this difference is seen as an injustice.

Over the months following the restructuring, most of the people that we met reported a real loss of motivation among the staff. People were completely uncertain as to their future. Would the situation be rectified after six months? Nobody could guarantee it. Some of them had the impression of it being a "delay of execution". The situation was very difficult to live with, especially as the workload had not been reduced. In concrete terms, for the two team leaders five days' work had to be done in four. In another department, five employees out of eight had agreed to switch to 4/5 time. In spite of that, one member of their team was made redundant. Apart from the organisational difficulties resulting from this, the team had a feeling of injustice. Their wish had naturally been to save one of their colleagues.

It should also be pointed out that some of them were afraid of being "seen in a bad light" by the management. "Here, it's work, work, work!" According to one team leader, the management never was in favour of part-time work. It is only recently that some requests have been made. "No exception was made, even for pregnant women. Now it's compulsory for people working in the labs." Some of the players that we met consider this position to be one of the reasons for the initial reluctance of the management when faced with this proposal from the personnel: "{the management} were perhaps afraid it might give some people ideas and everyone would start asking for 4/5 time, leave, etc.!"

This fear of being "seen in a bad light" was passed on to the management via a member of the works council. To reassure people, the manager then officially offered his thanks to those who had taken part in the operation.

The trade unions

The union representatives recognise the "noble gesture" made by the employees but regret that it ever came to that. For them, the management were responsible for poor strategic choices, such as the acquisition of the British and German sites which in the end had been closed down. Even today, Bio is still suffering the consequences. They are also indignant about the privileges enjoyed by supervisory staff: a very attractive salary, a company car (they can even choose the make), etc. They consider that the management staff seem to have suffered very little from the restructuring and ultimately it was the operators, whose working conditions are mediocre, who suffered all the consequences. One of the two union representatives mentions with a certain revulsion the presence among the volunteers of a woman whose monthly salary was very low. Nevertheless, "the people who sacrificed themselves are no better thought of today. The management have made no gesture towards them. And the work load has remained the same."

The company management

For the management, the restructuring bore fruit “economically” because as from the end of January 2005 the results were once again positive. However, the managers that we met indicated that looking back now over that period they have a bad feeling. For instance, one of them told us: the executive committee suffered during the restructuring because its members, “human beings”, had little experience in this role and had only known a situation of growth”. “I felt powerless!”

The human resources manager is aware of the impact on staff motivation. “Our people are wondering if they have to put as much into it as before. They are tending to stand back.” He stresses however that the personnel never stopped work. For him, that is a sign that employees understood the situation and approved of the way in which the people made redundant had been treated.

II.5. Innovations in the field of socially responsible restructuring

The main innovation lies in the decentralisation of social responsibility in the hands of the personnel. In fact, it was from them that came the initiative of reducing working time. According to one team leader, the personnel at the Biologics BU acquired the habit of shouldering the company’s difficulties. “It is the personnel taking on responsibilities for which they are not paid. It’s always been like that here. People take a lot upon themselves.” “My conscience told me to do it. I would not have wanted to see one of my colleagues leave and tell me that I ought to have done something.” (employee). If, at the end of the six-month period initially planned, two people remained on 4/5 time, what they did was motivated above all, like the other employees, by a social concern. It’s something that I had never considered doing before,” one of them told us.

The management’s reaction to the personnel’s initiative changed over the course of time. Although sensitive to the solidarity displayed among the members of the Biologics BU, the management nevertheless preferred to reject the proposal in the first instance. In fact, as explained above, there was a substantial risk that the situation would not improve in six months. At that stage, redundancies would have been inevitable and the situation could have caused considerable trauma for the entire organisation. In addition, the social pressure could have led some people to agree to work shorter hours and put themselves in a very difficult personal situation. Similarly, it could have given rise to a phenomenon of rejection in relation to the people who took the decision not to accept a reduction in working time. Despite the risks in question, the management finally accepted the time credit alternative. Afterwards, some members of staff expressed regret at the management’s lack of initiative, particularly in seeking out alternative solutions to redundancy.

II.6. Future prospects

As indicated above, the viability of the “Biologics” unit is far from guaranteed. The personnel see their future with the company in very uncertain terms. As regards the “Genomics and Proteomics” unit, the level of business activity seems stable. However, the fall in prices does not allow new recruits to be taken on to strengthen the teams, who are faced with a substantial workload.

II.7. Transferability of the case studied

The people questioned consider that the solution could easily be transferred. Three major conditions emerge from these reflections: firstly, the employees should be free to choose whether or not to work shorter hours; secondly, the company should expect an economic revival (the reduction in working time must be a temporary operation, unless some people accept it on a definitive basis); thirdly, financial compensation should be granted, through the time credit system, for example. This system is applicable for all the private sector. Furthermore, any Belgian company has the possibility of increasing the maximum percentage of staff affected by the reduction of working time through a collective agreement or a labour regulation.

However, the management draw attention to the risks involved in the operation, which led them in the first stage to reject the proposal by the personnel (see above). Moreover, they also observe that, given the allowances granted by the Onem in the case of time credit, for certain pay levels there is little difference in pay between full-time and 4/5 time. Some people could find this situation very comfortable and prefer not to go back to full-time work once the company's position improves, thus giving rise to organisational difficulties for the company.

For one employee who was interviewed, "there must be at least some recognition from the boss ... and if possible a little gesture". We could thus imagine the employer offering some financial compensation to the employees. In addition, whilst at Bio all the employees benefited from the same type of time credit (i.e. a reduction in working time of 1/5), one could envisage a more flexible application of the solution, in which employees could choose the type of career break that best suits them (complete break, reduction to half-time work, etc.) (see point III.3).

However, it must be ensured that the employer does not use this formula "for a yes or a no". That would be "too easy" a solution (a team leader). Even if the career break is a right and not an obligation for the employee, it can be supposed that any abuse would be quickly spotted given the power relationship that could exist between employee and employer. This is also one of the issues observed by the Onem (see point III.3).

III. *Specific cross-linked themes*

III.1. Impact on health

The subject of health was at no time an explicit concern for the different players. In the Genomics and Proteomics BU, the return to Belgium of the British production led to an increase in the workload. This situation was a difficult experience for the personnel since the extra work could not be compensated for by recruiting reinforcements. In the Biologics BU, the period of six months which followed the announcement of the restructuring was seen as a "delay of execution" since at the end of that period redundancies could still occur if the company's results were unsatisfactory. The working environment deteriorated substantially. Some people preferred to leave the company of their own accord. From another point of view, it can be thought that those who switched to 4/5 time were able to enjoy a better balance

between working life and family life. However, the people questioned have differing opinions. Some acknowledge an improvement in their quality of life, whilst others emphasise the fact that the workload did not decrease in the same proportion as working hours. This situation generated a lot of stress. The way in which the events unfolded and the process was managed also had an impact. The employees' feelings in this connection vary considerably. One of them, for instance, had planned to use his new spare time to renovate his house, but the feeling of having been abused was greater and led to substantial dip in morale.

III.2. Organisational impact

After the restructuring, no changes were made to the organisation of work. However, the majority of the personnel had to deal with an increase in their workload. As indicated above, several interviewees noticed less involvement on the part of employees, attributed to a loss of motivation and confidence.

III.3. Public service policies to promote employment

The main role of the public services in this restructuring concerned the time credit system managed by the national employment office Onem (www.onem.be). Onem is the body responsible for organising unemployment insurance in Belgium. Its main mission is to provide a replacement income for the involuntarily unemployed and other similar categories. In Belgium at the moment, about a million people are receiving a monthly allowance from the Onem. This represents a budget of 7.4 billion Euros, i.e. 17% of total social security expenditure. The Onem also plays a preventive role in preserving the contractual relationship between the employer and the employee as long as the situation really is of a temporary nature. The objective is to avoid total unemployment and the possible problems that may be encountered in returning to the labour market. It is within this framework that we find the career break system, when the contractual relationship between the employee and his employer is maintained. The career break can take the form of time credit or so-called "specific" forms such as parental leave, leave for medical assistance or leave for palliative health care.

The "ordinary" career break was introduced in 1985. Initially, the objective of the system was to absorb unemployment. At the time, a career break was not a right but a possibility open to the employee, with the agreement of his employer. If appropriate, the latter was obliged to recruit (at an equivalent weekly cost) a fully unemployed person receiving benefit. This solution had advantages for all parties concerned. The employee wishing to reduce his working time could receive an allowance from the State, paid by the Onem, rather than unpaid leave. For his part, the employer enjoyed partial exemption from his employers' contributions for the unemployed person who was recruited. Finally, the State made a substantial saving too: instead of paying unemployment benefit it paid a much lower career break allowance.

Despite its advantages, however, this system, which could meet with a certain reluctance on the part of employers, enjoyed only limited success. In 2002, therefore, at the prompting of the Federal Minister for Employment, the ordinary career break was replaced by the time credit system (for the private sector). From then on, it was to be a right for the employee (on certain conditions, see below). In addition, the employer was no longer obliged to replace the

employee. The objective of this system is no longer to absorb unemployment but “reconciliation of employment and quality of life”.

Time credit is a system allowing the employee temporarily to interrupt his career totally or partly. In a way, it is a sort of parenthesis in the employment contract. During the period for which the contract is suspended or working time reduced, the employee receives an allowance paid by the Onem. At the end of this period, he gets his job back on the initial conditions (full-time). There are several types of time credit:

- ⇒ complete time credit (complete break);
- ⇒ reduction in working time to 1/2 time;
- ⇒ reduction in working time by 1/5.

Specific conditions need to be fulfilled in order to benefit from the different forms of time credit. For example, in the case of a reduction in working time of 1/5, the employee can obtain at any age, if employed on a full-time weekly basis over 5 days, either a reduction in the number of hours worked of day a week or a reduction in hours of two half-days a week. This reduction can be obtained for a minimum period of 6 months to a maximum of 5 years. The following two conditions must be met: 1) to have been in the employment contract relationship with the employer for the 5 years preceding the notice from the employer; 2) to have been employed full-time for the 12 months preceding this notice. During the period for which working time is reduced, the employee receives a State indemnity by way of compensation for the loss of salary. It is a monthly flat-rate allowance of 112 €⁴ (net) paid by the Onem.

For the last two variants (reduction to 1/2 time or reduction by 1/5) a distinction is made for employees over 50 years old. For the latter, the reduction in working hours is unlimited in time and can extend until retirement.

As a general rule, the entitlement is limited to 5% of the company’s personnel. However, this 5% limit can be modified by a collective sectoral or company agreement or by a labour regulation.

Abuse of the time credit system

Time credit does not involve any direct cost for the employer. On the contrary, it enables him to cut his costs, at least temporarily. In the case of a complete break, the worker no longer costs the company anything financially during the break. Everything is taken care of by the Onem, including the individual’s social security cover (mutual insurance fund, pension, family allowances, and even unemployment insurance⁵). With the possibility of a time credit unlimited in time for workers aged 50 and over, this makes the system an advantageous solution for an employer whose company is faced with restructuring. It allows redundancies and early retirements to be avoided. In this respect, companies generally must use a collective agreement or labour regulation to increase the maximum percentage of staff concerned.

⁴ 144.54 € for a lone worker, i.e. one living alone or cohabiting exclusively with one or more children of which at least one is a dependant.

⁵ If the employee loses his job, he is registered as unemployed on the basis of his initial contract (full-time compensation).

(Some companies insert a clause specifying that only employees aged 50 and over can benefit from the increase in the quota.)

However, in some cases this formula can give rise to indirect costs for the employer such as the adaptation of the organisation of work, the training and cultural integration of compensatory recruits, etc.

Nevertheless, our contact at the Onem mentions a “perverse effect” of the system. “Normally, the application for time credit must come from the employee. But it sometimes happens that it is proposed or even imposed by the employer. Legally, of course, he cannot impose this, but it is a question of a power relationship: it’s either time credit or the door!” The Onem is powerless as far as this abuse is concerned because it is impossible for the organisation’s employees to know in what context the requests were made. However, they are aware of this trend through the calls received by client advisers.

Does this point to a need for a specific framework for restructuring contexts? It would seem in any case that the political desire is to take the problem of career wind-down by the horns, especially through the ‘Generations Pact’. For instance, one project aims to grant all employees aged 55 and over an individual entitlement to time credit (for 1/5), with no limitations as regards the company’s personnel. This system would allow early retirements to be limited and individuals kept at work longer. In theory, it is based on an approach that is chosen and not imposed. However, such a measure could also create difficulties for the employer as in the case of all employees over 55 years of age requesting this time credit.

We also asked ourselves about the possible existence of other alternatives allowing the employee to obtain financial compensation from the State in the event of a reduction in working time. This led us to investigate the links between part-time work and unemployment. There are three categories of part-time employees in the unemployment regulations⁶:

- 1) Part-time employees treated in the same way as full-time employees. At the end of their contract and on certain conditions, these people can receive unemployment benefit for every day of the week except Sunday.
- 2) Employees voluntarily working part-time, i.e. who choose part-time work and are therefore not available for full-time employment. During the employment contract, no allowance is paid in theory. At the end of the contract, these employees receive benefit under a specific system (reduction in allowances).
- 3) Employees involuntarily working part-time (or “part-time employees with entitlements maintained”), who are not only compensated as full-time employees at the end of the contract but can also, on certain conditions, combine a guaranteed income allowance with the wage from a part-time job. One of these conditions, among others, is that they are registered as full-time job-seekers. In the event of their being made redundant from a full-time job and involuntarily changing to a part-time job with the same employer, the employee is entitled to the guaranteed income allowance. However, this is not paid to him until after a period of three months from the day following the period of notice or the period covered by the full-time employment termination indemnity. If the employee voluntarily changes from full-time employment to part-time employment, even within the

⁶ Source: “Les statuts à temps partiel dans l’assurance-chômage”, www.onem.be.

framework of a company work-redistribution plan or an employment-promotion agreement, he cannot receive a guaranteed income allowance. He may, however, be entitled to one if the changeover is within the framework of a restructuring plan approved by the Minister of Employment (on the basis of Article 29, § 2 d) of the royal decree of 25 November 1991 on the regulation of unemployment). This means that a worker starting a part-time job under an approved restructuring plan is deemed to be involuntarily unemployed. According to information received from the Onem, there are no other regulatory texts relating to this provision. The companies concerned must contact the Minister of Employment and Labour.

III.4. Territory

The territorial representatives were not involved in this restructuring at any time.

III.5. Trade unions

The role of the union representatives in this restructuring was relatively limited. The initiative to reduce working time came directly from the personnel. The first discussions took place within the BUB, in the absence of any union representative. They were subsequently called in to collect information on the time credit system. On that occasion, they were able to raise the question of the proposal by the Bio personnel with their permanent officials.

Once the announcement of the restructuring was made by the management, the union representatives and their permanent officials presented the personnel's proposal to the management. Their contribution lay mainly in obtaining an outplacement service for the people made redundant. The intervention by the trade unions can be called reactive. Although they say that they "encouraged the employees' changeover to part-time work", they were not the initiators of the plan. It is essential to recognise that this was the role of the personnel.

As indicated above, Bio, like many SMEs, does not constitute a propitious environment for trade union action. The management, according to most of the reports that we received, are still reluctant to open up to a social dialogue with the staff representatives. "The door is always closed." (trade union representative). "They can't stand the union representatives!" (team leader). As the company grew, however, the regulatory bodies were set up (CPPT health and safety committee, works council). In 2000, the first social elections took place. In 2004, a CNE delegate and a SETCa delegate each won half of the votes. Whilst for the management this was a constricting development, it did not seem to bring all the personnel together. In fact, the majority were not affiliated to a trade union. (In actual fact, a good many affiliations were achieved during the restructuring.) In the eyes of the union representatives, this was partly explained by the young age of the personnel, who were 32 on average. In addition, the company generally recruits young graduates to whom it offers a first contract. In these circumstances, it would be normal for the personnel not to be very demanding. According to one of the two union representatives: "Here, people are very afraid of confronting the management. They fear for their jobs." For their part, the management consider that employees do not need representatives and are always free to discuss things directly with the management.

IV. Case analysis: facilitating factors and blocking factors

To make better use of this case, it could be interesting to examine it from the angle of the factors which, on the one hand, favoured its satisfactory development and, on the other hand, constituted major restraints which could have jeopardised its success.

IV.1. Facilitating factors

The presence of leaders

The idea of reducing working time was initiated by two team leaders with considerable seniority in the company. The first has worked at Bio since it was created and the second for 13 years. They brought the plan all the way to its eventual implementation. Along with the head of the Biologics BU, they presented the idea to their colleagues, sought out information, answered questions, supported the action by the volunteers, etc. Without their motivation and enthusiasm, it would certainly have been difficult for the initiative to succeed.

The existence of relays to and from the management through the hierarchy

As explained above, the management did not communicate anything on the restructuring until very late. The decision was officially announced to the staff representatives at the works council meeting. Thanks to the relay role played by the hierarchy, particularly the head of the Biologics BU and the team leaders, the personnel knew about the situation earlier and did not wait for the official announcement from the management before acting. By then, the idea of changing over to part-time had already done the rounds. It will be recalled that following the growing rumours and confirmation of the imminent restructuring by the head of the Biologics BU, a first poll was carried out and information was obtained on time credit. In this way, when it came to the negotiations the union representatives were in a position to present the proposal by the personnel. The idea was already relatively mature. Otherwise, it would probably have been difficult to push it through given the reluctance of the management and their desire to proceed with the redundancies as quickly as possible.

The team spirit factor

Another decisive factor in this action was team spirit, the feeling of belonging to the same team which characterises the majority of the members of the Biologics BU. Fewer in number than the Genomics and Proteomics BU, they have a higher seniority on average. During their careers at Bio, several shared difficult times together. "Here, we have always been in a bit of a fix! We have always had to stick together!" (team leader). Thanks to that, the action initiated by the team leaders quickly took on a collective dimension.

The possibility of financial compensation

During the first poll of the Biologics BU employees, following the idea by the team leaders, no compensation had been envisaged for the volunteers for 4/5 time. However, 80% of those present had said that they were "in agreement on the principle". The absence of financial compensation does not, therefore, seem to have been a blocking factor. On the contrary, this possibility could only encourage and facilitate the participation of employees in the action. In this respect, the Belgian legislation providing for the time credit mechanism can be regarded as a facilitating factor.

The temporary nature of the economic recession

Another factor that seems to have facilitated the action was the temporary nature of the economic recession with which Bio was faced. The managers could hope for a business revival within a minimum of 6 months. In these circumstances, the changeover to 4/5 time, and therefore the "sacrifice" agreed to by the volunteers, was limited in time. If it had been necessary to look at a longer time period, there would probably have been fewer participants.

The crucial part played by the employees' skills and experience

In the Biologics BU, the possibility of keeping skills within the unit was of a not insignificant value. In effect, it takes about a year before an employee is really competent and autonomous in a particular field. On the other hand, in the Genomics and Proteomics unit, a new arrival can be trained in three months. That was perhaps one of the reasons explaining the acceptance of the proposed action by the management in the first BU whilst it was never envisaged in the other.

Essentially female staff

At Bio, of the fifteen participants ten were women. It can probably be deduced that the action was successful due to the personnel being essentially female and more alert to the advantages of working part-time.

The sufficient size of the company

With the introduction of part-time work, the personnel management and the organisation of work became more complex. Bio was large enough to absorb these costs.

IV.2. Blocking factors

In the first stage, we would like to pinpoint the factors likely to explain the fact that the action at the BUGP did not become generalised. In the second stage, we present those which could have led the operation to failure or slowed down its implementation in the BUB.

Factors likely to explain the fact that the action at the BUGP did not become generalised

The less crucial nature of the skills and experience of employees

As indicated above, the skills of the BUGP operators are less highly valued than those of the members of the other BU. A new recruit to the Genomics and Proteomics BU can in fact

become operational in three months. In these circumstances, in the management's view the introduction of the time credit system in the BUGP could have been "not worth the trouble".

The young age of the personnel

In the BUGP, the personnel are younger, they have less seniority and, therefore, their joint experience is less. This situation does not favour the feeling of belonging to a collective group. According to various reports, "the mentality" is not the same in the Biologics BU. "They are constantly told that they are replaceable. If they are not happy, there are ten more waiting outside! This does not encourage solidarity!"

Factors which could have led to the failure of the operation or slowed down its implementation in the BUB

Less and slower communication with the personnel and their representatives

As indicated above, without the intermediary role played by the hierarchy, the idea of working shorter hours and of time credit would probably not have succeeded.

The description of the restructuring process seems to indicate a mutual misunderstanding between two groups of players, management on the one side and personnel on the other. It demonstrates how difficult it was for them to pool their efforts rather than oppose each other on an event which was difficult for both sides. Through their desire to find a quick "solution", the management showed that they were uneasy about the situation.

The inequality of the efforts made by the different groups of players

It will be recalled that the management refused to allow supervisory staff to participate in the action. This restriction was very badly seen by the volunteer employees who at the time could have shown their disagreement by withdrawing their request for a career break. As one employee said, "if this happened again, I wouldn't do the same thing". The inequality of the sacrifices made in the restructuring could therefore have doomed the action to failure.

The company culture and the managers' position as regards working hours

Among the blocking factors, we could also point to the company culture, which does not favour part-time work. As explained above, this is one of the reasons which can explain the management's reluctance when faced with this proposed action. This factor could also have held back the participation of employees, several of whom said that they were afraid of being regarded as "idlers".

The need to sign a collective labour agreement

Finally, the need to sign a collective labour agreement for broader application of the time credit system could have had a dissuasive effect on the management, since they were very reluctant to enter into any form of social dialogue.