



Wissenschaftszentrum  
Nordrhein-Westfalen  
Kulturwissenschaftliches  
Institut



Wuppertal Institut für  
Klima, Umwelt, Energie  
Institut Arbeit  
und Technik



IPG Institute for Psychology of Work  
Unemployment and Health



## ***MIRE PROJECT***

### **Summary and recommendations**





## **Recommendations for an economically and socially effective management of company restructuring**

The recommendations that follow are the result of work carried out in the context of the MIRE (Monitoring Innovative Restructuring in Europe) project, which, for two years, has organised the analysis, discussion and capitalisation of innovative practices in the company restructuring process in 5 European countries. To make this document easier to read without depriving the reader of necessary information, the project, method and information sources used are presented in attachment to this document. Presented in the same annex are the interesting discussions to which the recommendations-formulating project has given rise.

Restructurings are specific, permanent processes conducted by actors whose interactions have at least as strong an influence on material results as regulations. Without neglecting the latter, the recommendations that follow are an attempt to formulate a method that can be used by actors. Without claims to being exhaustive, we tried to avoid general formulations (“management-labour dialogue is necessary”, “we recommend improving training”,....), the experience accumulated in a set of European countries being, in our opinion, rich enough for us to outline, with relative accuracy, the rules and mechanisms that authorise an economically and socially effective management of restructuring processes.



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## 1. Restructuring and their actors

### 1.1. What do we know about restructuring?

Restructurings were initially considered as accidental events, unfortunate though chance happenings, unforeseeable beforehand, and this view is still widespread. But this is not true : restructurings are always more permanent. This permanence does not mean that the basic work collectives units such as a factory, a call-centre a research centre or an administrative headquarters, are subject to daily upheavals. At this scale of the production structure, phases of stability, these of varied length, are the rule. But the permanence of restructurings is observable at the level of regions or large companies. They therefore represent a permanent risk that justifies integration into day-to-day resources management of methods designed to guide and manage this.

#### ***Restructuring and change***

Current economic and social shifts bring permanent changes. Whether these changes are of a large or small scale, productive organisations need stability in order to function. For some organisations, this need for stability is materialised by constraining routines, but some of them have developed methods that allow them to integrate change into the day-to-day management of the activity and of work behaviours.

In this respect, restructurings are not to be confused with change, of which they only constitute a particular modality. As their name suggests, they occur when the company structure is brought into question to one degree or another. They then present the particular characteristic of organising abrupt break-ups with the previous stability and established routines. These break-ups are themselves characterised by the fact that they pose significant risks and dangers to the men, regions and companies involved. These risks and dangers are well known.

For men and women they involve :

- health,
- self esteem,
- income,
- social integration.

For regions, they involve :

- growth,
- employment,
- social cohesion,

- the organisation of space (industrial wasteland),
- quality of life (environment, poverty, delinquency).

For companies, they involve :

- productivity,
- profitability,
- and often, survival, i.e. whether they can actually continue to exist.

This is the materialisation of these risks and of their potential consequences for people, regions and companies that makes restructurings a major problem and particularly threatening for those who do not have available the resources required to carry them out. Restructurings are then threats to concerned areas economic development and, for people, painful events that sometimes cause violence, almost always anxiety and, far too often, illness. In other words, if change is desirable, restructurings, as they are currently driven, are appalling.

A special mention has to be made here to the relationship between health and restructuring. Despite very important needs and the increasing attention paid to health at work and during unemployment, health initiatives before and during restructuring to prevent and cure their health effects are still very rare. Yet the stake is high: a recent Swedish study revealed that the probability to die is twice higher for workers having been through a plant closure and when restructuring imply lays-offs they have both short and long term effects. In the short term they either reveal (when health problems previously existed) or create health effect (when stressing the individual –either employee or manager - beyond the limit he or she can bear). On the long term, permanent restructuring have brought job insecurity and its negative impact on employee's health and well-being, into the current working environment.

The grim reality of restructurings is not just a powerful reason for action. It also explains why those where nothing is able to prevent realisation of the risks, those whose negative effects can manifestly not be avoided, those that turn into crises, considerably increase resistance to change. It is therefore not enough to prepare for the future on the one hand and handle crises on the other: restructurings must be monitored so that the break-ups they suppose do not transform into crises.

### ***Restructuratings, break-ups and crisis***

As for all break-up situations, restructurings, in order to be dealt with by the actors concerned, require a significant mobilisation of resources even though they occur abruptly. It is the combination of lack of time and lack of resources that transforms restructurings into crises, automatically forcing actors into conflictual confrontation in order to defend their immediate interests.

A substantial part of the resources required can (and must) be provided by the community. In all the countries that have participated in the MIRE project, piloting and support systems for restructurings define the roles and resources of a whole series of actors both inside and outside the company. Also they all devote time to

organising the management-labour dialogue required to mobilise and allocate the resources these actors have at their disposal.

But these mechanisms have common faults:

- Their efficacy varies from case to case and is always badly measured.
- They are still largely oriented towards managing crisis periods, and of these the most visible, i.e. towards the management of the restructurings of large companies when the restructuring announcement is issued. This fact is the source of a marked inequality between employees of large and small companies.
- They pay little attention to upstream mechanisms that provide actors with the resources (forecasting, training networks, skills, agreements, etc.) they will need when the restructuring occurs.
- They pay too little attention to results assessment and inter-pair or multi-actor combined learnings.

### ***Restructurings are processes***

Indeed, restructurings are often not seen as such until the moment of crisis that follows the announcement of the decision to restructure. But, this view is wrong. The announcement is always preceded by a preparation period of varied length (it often lasts several months or even years, for large operations). It is always followed by a long period during which the effects of the restructuring are experienced by the persons and regions involved. Restructurings, although they result from a break-up that abruptly reduces the field of possibilities, are not confined solely to this instant, but refer to a process that:

- starts in the company when a decision is taken at general management level;
- lasts a long time ;
- develops locally, first within the company, then outside it (social and regional impacts).

These three characteristics have two consequences:

- The company's decision its form, its nature and the way it is shared, or not, with the other actors is of primary importance for the unfolding of the restructuring process, what gives to company a special responsibility.
- The overall process monitoring is particularly complex as responsibilities will vary during the course of its execution. The company, workers' representatives, job transition professionals and regions each have a responsibility or a chance to participate in the restructuring process and none is able to comprehensively carry it through alone. This situation largely favours the non-coordinated juxtaposition of involvement. It also supposes great difficulty in assessing overall results, at the end of the process. Therefore company responsibility; resource allocation and coordination of the actors involved are central to an approach aimed at crisis avoidance and to management of the restructuring process.

## ***Restructuring are diverse***

Restructuring processes unfold in situations that are as diverse as:

- the companies themselves (sizes, resources, degree of independence, field, etc.) ;
- the type of decisions taken (mergers, demergers, relocation, closure, reorganisation, etc.) :
- the characteristics of the situations encountered (bankruptcy, sudden deterioration of the competitive position, change of strategy, long-term anticipatory move):
- The risks run by the parties concerned (extent of the risks and opportunities for companies, state of the work market and efficacy of welfare protection for employees, economic and social situations for regions).

From the piloting point of view, this diversity requires adaptable mechanisms and in this required adaptability the actors on the ground have an important part to play. These actors are themselves diverse and diversely structured. This is one of the major difficulties regulation and restructuring mechanisms come up against: they must, on the one hand, be general and flexible enough to be useful to actors and, on the other, sufficiently finalised and framed so that this plasticity cannot be used by one actor to another's detriment. This is not just a moral imperative. It is an operational condition: actors must be able to take up the positions in which they most manifestly contribute to finding solutions. Antagonism between constraint and freedom is therefore completely counter-productive: neither rules nor agreements are of value in themselves; it is the quality of their interaction that is determinant. Restructuring cannot be approached without paying attention to how local actors make sense of labour market institutions and without acknowledging how actors contribute to modifying, changing and establishing new institutions through processes of negotiation.

## **1.2. What do we know about restructuring actors ?**

### ***Companies***

Companies are not identical in the face of restructuring: differences in sizes, resources, sector, independence or dependence (order givers / subcontractors) are some of the factors of diversity. All however are responsible for the restructuring decision and make choices concerning:

- Anticipation of economic developments and sharing of this information,
- The announcement of the restructuring decision as soon as it is confirmed,
- the restructuring strategy to be adopted,
- where the choice entails layoffs, the selection of the persons laid off,
- the level and methods of involvement in the preparing or management of the reclassification of employees and in regional re-development.

The quality of the piloting of restructurings depends largely on the quality of choices made in these different areas.

In a constantly changing world, companies must anticipate, i.e. identify from among the economic, commercial and technical dynamics, the ones that concern them. This vigilance does not avoid restructuring. Firstly, because not all are foreseeable. Secondly, because these anticipations themselves occur at the same time as restructuring decisions. But anticipation can change the development of the restructuring process by providing more time in which to manage it. An anticipatory approach to markets may thus allow an anticipatory approach to restructurings.

This possibility cannot however materialise if the information is not shared with the interested parties (employees and their representatives, but also subcontractors and the regional representatives concerned), which supposes, and relies on, social dialogue and negotiation. The stake is high for companies: in front of the commercial, technological and financial instability companies are dived in when launching restructuring processes, stable social dialog is a resource. Studies carried out in the project indicate that this approach has been adopted, in different regulatory and institutional contexts, by large or small companies within the context of social dialogue that is either internal or, sometimes, extended to regional actors and subcontractors. They also indicate the problems that appeared where this information was not effectively shared.

Large companies have an important part to play in this respect. First, they produce and regularly update forecasts made using powerful resources and draw up anticipatory strategies for current changes. Second, they experience permanent restructurings, to the extent that, in certain large groups, arbitrage concerning whether or not it is opportune to make changes to the structure of the organisation, has now become a routine activity. Their choices thus have considerable weight in the piloting of restructurings, all the more so since they often lead to large-scale operations.

Whatever big or small companies may be, those who share anticipations and the transparency of decisions taken set up a social dialogue with all the interested parties and conclude negotiations with agreements detailing actors' intentions, defining the objectives sought, the resources implemented, responsibilities and the financing mobilised. The implementation of these agreements depends for the most part on multi-actor piloting and follow-up structures. However, when a company is located in several different countries, This management-labour dialogue remains strongly anchored to the national practices in different countries and both the defining and implementation of multinational, or even European, considerations and practices, are for the most part lacking.

Large companies also more often have the opportunity to choose between voluntary redundancy and layoffs than small companies. They have a wider internal job market, sometimes authorising large-scale reclassifications. The use of this internal market to avoid layoffs is not automatic, however, and entails both heavy prompting (generally regulatory) and the development of sophisticated internal mobility mechanisms. The same goes for the search for alternative solutions to layoffs, using both economic and social methods.

Where restructuring involves layoffs, Equality must be central to any selection for redundancy process. The issue is a social justice, health and efficacy issue.

Involvement – or not – in support to the reclassification of employees and regional re-development is regulated differently from country to country. It is often considered by companies as temporary but several cases indicate that permanent mechanisms are set up (internal ones for large companies, mutualised for small companies). The reason for this permanence of support units is that restructuring is regarded as a problem that employers have to deal with continuously.

MIRE shows that employers face similar problems of restructuring across national borders. The shapes and features of restructuring practices vary, but not always as a consequence of national differences, rather based on historical conditions and the process of innovation unfolding within firms. Since restructuring practices develop over time in each company, through a process of reflection, critical evaluation and learning, the question is not what features and experiences may be transferred, copied or imitated, rather how such processes of reflection and learning may be stimulated.

### ***The unions***

Restructurings pose a series of tricky problems to union organisations. Normally engaged in a struggle to defend jobs, they represent employees (those directly affected by restructuring operations, those who are only indirectly affected by them and those outside the company) whose interests are not always the same.

The phenomenon is fuelled by the sharp growth in the number of temporary jobs and by the development of company groups whose decision-making centres are increasingly far from the work places and the regions in which the restructurings are taking place (something regions like Wallonia suffer from in particular).

Union organisation, the number of their members, the cultural and institutional contexts in which they operate differ greatly from country to country but several common traits, sometimes paradoxical ones, come out of the case studies. The characteristic traits of national regulatory systems are represented in the objectives of union action: age measures important in Belgium, redundancy payments in the United Kingdom, regulation in France, negotiation in Germany and, above all, in Sweden. But beyond these dominant traits, Swedish unions also have recourse to judges, British unions to opinion and French unions to negotiation.

We should also stress that great similarities exist in actions at company level : search for solutions for avoiding or limiting layoffs, search for a management-labour dialogue ending in negotiation, intervention in the ways laid off employees are selected and, to favour the organisation of occupational transitions, the obtaining of age measures and of compensation considered just. Trade unions do not think their role should be confined to providing solutions to social problems. They want to play an active role in anticipation and prevention of restructuring processes.

Generally speaking, the real influence of unions in a permanent restructuring context appears to be weak (apart from in Sweden, where the situation is rather

different) and in most countries everything seems to happen as if they have to resort to delaying actions after the main decisions have already been taken. However, practically all new measures are instigated or at least strongly backed by union organisations. But these only rarely bear fruit, to the extent that their role is practically written out of the narrative where initiatives succeed.

### ***Transition agencies***

Restructurings are processes that organise quick, sudden break-ups with the stability required for companies and work groups to function correctly. These break-ups pose sizeable risks and dangers which, in all project countries, initially led to solutions based on the creation of substitute revenue (compensation for laid off employees) and the setting up of early retirement.

Slowly and in varied ways from country to country, these insurance mechanisms came to be completed by others, designed to organise occupational transitions. In Wallonia, the Forem set up a particular type of reclassifying unit, operating at the request of unions. In France it is very uncommon for welfare plans not to include the setting up of a reclassifying unit and in Germany “transfer companies” play the same role. Sweden has gradually built up original joint mechanisms at occupational group level, known as “job security foundations”.

Everywhere these mechanisms are faced with the economic and social realities that mean that a wider and more complex set of problems than just placement in a new job need to be dealt with. This is particularly the case for problems of local development, social cohesion, reinvestment of skills and health, the latter, despite their acuteness, being very little studied. This is why the organisation of occupational transitions entails the intervention of a complex set of public or private actors whose coordination is an essential issue.

### ***Regions***

Restructurings pose a variety of problems for regions (social, economic and financial, land, environmental, and even of identity) and they have knock-on effects on the local small and medium-sized companies’ fabric and especially on the subcontracting chain. The direct and indirect consequences of restructurings are immediate and sometimes brutal, while adaptation to the new one will require years, resulting in a clash of temporalities. Taking into account the volatility of companies’ locations, regional actors, for the same reason as others, find themselves in a highly uncertain situation as far as the future of the region is concerned, while at the same time they are placed in a situation of asymmetry of information with respect to managerial actors whose decision-making locations are often far from the regions concerned. But, it is particularly difficult to mobilise actors on specific actions linked to restructurings in the absence of a tangible threat, i.e. before the restructuring announcement by a company’s management.

On the other hand, in every project country interventions by regions in restructuring processes have been observed where this restructuring had reached a certain scale: large-scale industrial restructuring in a historical sector of the

employment area, a sector crisis threatening a conversion strategy initiated two decades earlier, a drastic but temporary (2 years) reduction of the activity of a certain order giver, crisis in the local crafts businesses network, etc. In all these cases, due to earlier restructurings, multi-actor mechanisms already existed, whether these are regional management-labour dialogue practices, the existence of a recognised development agency capable of coordinating the actions of local actors, the existence of projects associating many actors. The solution-finding and project-creation dynamic thus depends on the early announcement of planned restructuring by a large company and on collective mobilisation in which local and regional authorities and unions play an important role.

In the cases studied, action taken by regions decompartmentalises the economic approach and the social approach (multi-dimensional treatment of the consequences of restructurings), goes beyond the limits of companies in restructuring situations (mechanisms extended to a set of companies of the region, but also to a wider set of beneficiaries than just surplus employees) and leads actors to change their customary perceptions and methods of action.

Regions' interventions are based on and set up network coordination that is institutionalised, federated and formalised to varying degrees. They are characterised by the implementation of projects financed by several actors (FSE, State, region, companies...) frequently giving rise to public-private partnerships. The running of the project is conferred to an existing institution or one created at this time (local development agencies, associations or departments of regional or consular institutions) and different multi-actor piloting authorities are set up, such as piloting committees and joint follow-up committees.

There are several necessary conditions for the establishment of this multi-actor operational coordination:

- the existence of other local experiences, in which actors formally capitalised funds to a greater or lesser extent, through which they have already been engaged in joint work;
- the existence of pre-existing forms of regional management-labour dialogue likely to lead, in particular, to the establishment of shared diagnostics;
- a structuring of regional and / or national approaches, or of at least one approach supported by national mechanisms.

Finally, if the interventions of regions encounter a host of difficulties (assessments are incomplete; the presence of union organisations, always important in actor involvement in project initiatives, often falls away afterwards; the contours of responsibility of public authorities and companies with respect to these mechanisms remain weak; the regulations in force (or absence of them) does not facilitate the implementation of devices, etc.) the studies carried out during the project show them to be laboratories of innovation in the field of multi-actor piloting restructurings.

## 2. Recommendations for economically and socially effective piloting of company restructuring processes

### 2.1. Elements of method

Actions implemented generally depend greatly on the crisis period and aim to manage it. Thus many initiatives in the different countries have concerned the organisation of management-labour dialogue and of transitions when break-ups occur. If there is an obvious need to manage the crisis, the plan to limit its frequency and scope, as many initiatives demonstrate, leads to the injection of outlay further upstream of processes, which are often termed “anticipatory” actions, and further downstream in assessment and capitalisation.

The piloting of restructurings henceforth requires the implementation and enumeration of:

- anticipatory actions, designed to prepare for the changes to come;
- preventive actions, designed to reduce risks and dangers when the forecast break-ups occur
- curative actions, aimed at helping actors manage the residual consequences of break-ups and the transitions that follow
- evaluative actions, aimed at measuring the results obtained and organising exchanges between pairs and multi-actors, to favour learnings.

In order to be engaged and led to a successful conclusion these actions imply:

- At the company :
  - ▶ permanent management-labour dialogue oriented towards preparing for the future;
  - ▶ the transparency of decisions taken;
  - ▶ drawing up of solutions through negotiation;
  - ▶ multi-actor piloting of the solutions negotiated.
- Outside the company :
  - ▶ Rules (laws, regulations and agreements) orientating actors towards realising the actions listed below;
  - ▶ Places for management-labour dialogue and multi-actor negotiation;
  - ▶ Pre-established anticipation support and restructuring management mechanisms;
  - ▶ continuous actor learning, based on the assessment and capitalisation of experience.

In the specific framework of management-labour dialogue in restructuring situations, three principles of action are determinant:

1. transparency of the decisions taken;
2. negotiations on the nature of the solutions and the way in which they should be implemented;
3. inclusion of all the stakeholders and institutions concerned by the problem.

The implementing of these principles of action depends not only on national contexts but also on local contexts and can even vary within the same country. They can nevertheless be used as compasses for orientating actions. Now that we have listed these principles, we can clarify a few points regarding work undertaken in MIRE.

### ***Transparency***

The transparency of the decisions taken - and in particular the initial decision that triggers restructuring - by means of early warning is a necessary condition to be able to look for solutions. Its absence is quite strongly correlated with crises following the announcement of a restructuring plan. Transparency exercises a strong influence over two essential factors: trust and time, the second one being particularly important because it is the scarcest resource in the restructuring processes. In addition, the announcement should be made straight after the decision has been taken and at the level where it has been taken (namely the head of the company or the group).

Depending on the circumstances and the company size, the decision to restructure can follow a more or less long and complex path, but case studies show that once it is taken, it is often a point of no return. When this line is crossed, early warning is a condition for:

- a debate on the necessity of the decision and the existence of other solutions;
- the anticipation of the restructuring process by other actors; any delay of the announcement reduces the time that they have for managing the risks they are exposed to in the course of the restructuring processes;
- taking into account the interests of other stakeholders in the decisions that will follow.

The relevant level is the one of the Head office, which means that when the company is formed by several bodies, the relevant level is that of the Group Head Office. Given the local effects of restructuring processes, the announcement has to be followed by announcements to the concerned local units. But one must insist on the importance of the social dialogue at the top level, whose absence triggers a chain of subsequent unilateral decisions. In this case, the emergence of local actors' interactions and coalitions is difficult.

## ***Negotiation***

Negotiation is the only way for the interests of all the concerned actors not only to be voiced but also to be taken into account when building solutions. It makes it possible for the actors to be really involved in the implementation of the solutions found. Negotiation cannot be taken for granted and requires particular rules and behaviours. This gives particular importance to the regulatory framework and to capitalisation. The former must ensure the very existence of negotiation and orient it in the desired manner; the latter is paramount to allow actors to understand how they can implement negotiation at their own local level.

The efficiency of rules fostering negotiation depends on the entitlements given to actors to efficiently defend their interests all along the process. If efficient rules are missing, negotiation fails to emerge in the course of the restructuring process or calls for a confrontation before it can take place. As far as the restructuring process is concerned, one can distinguish between three types of entitlements (powers/rights): decision making proper, influence upon decision-making and the right to be informed/consulted about decision-making:

- the entitlement of the management in all the project countries to decide whether there is a need for restructuring or not is an example of the first type;
- the entitlement of the trade unions in Sweden to negotiate the list of people who will be laid off; that of the German trade-unions to negotiate the compensation social plan; or that of the French “*préfets*” to negotiate the contribution of big companies to redevelop regions or territories hit by restructuring are examples of the second;
- the information and consultations processes in France and Belgium are examples of the third type.

Two other points can be raised on negotiation:

- From the point of view of its very existence as well as of its results, negotiation depends on the relevance of the actors’ representation, which draws attention on the process through which representation is built.
- Whatever its importance is, the company level is not the only relevant one for organising the negotiations that have to take place for monitoring the restructuring process. Job security foundations as well as regional interventions in restructuring process illustrate and demonstrate that it is possible and desirable to create other places for regular meetings and negotiation among actors.

## ***Inclusion***

Because restructuring process concerns various actors, social dialogue and negotiation also need to be enlarged to include other actors than unions and management. Two questions should be asked:

- What kind of permanent social dialogue mechanisms, other than the one existing at the company level, should be set up?

- Which actors should be temporarily included into the social dialogue?

Inclusion does not only concern management-labour dialogue and negotiation in order to come up with answers to the problems posed by restructurings but also concerns the implementation of solutions drawn up by the various actors. These last points entail the setting up of multi-actor piloting committees.

It is thus possible to design the general architecture of a solution to problems posed by company restructurings: a multi-interested-party approach based on:

- Anticipation as a tool to foster constant readiness for change;
- Negotiation oriented social dialog as a tool for problem solving approach;
- Multi stakeholders steering committees for implementing solutions.

From this perspective, regular consultation with a region's main structuring companies may facilitate engaging a long-range approach involving a great many actors.

#### Recommendations to regions :

- Promote the development of regional social dialogue by setting up multi-actor boards (regional, company and union representatives) to "discuss the future" and establish shared diagnostics :
  - ▶ in which companies would be prompted to share their economic analyses on the future and discuss restructuring,
  - ▶ and for which actors would be provided with the means to call on experts, researchers and consultants.
- Set up coordination of the various public actors responsible for dealing with one or other of the problems posed by restructurings (employment, training, economic development and activity creation, urban planning, pollution, etc.).
- Create a special body dedicated to evaluate and prevent health problems linked to restructuring and promote solutions to take in charge health problems at work and in companies.

But the development of management-labour dialogue and the sharing of information also require an update of the mechanisms by which they take place in the company and beyond its bounds.

#### Recommendations to public authorities :

- Orientate management-labour dialogue in the company towards preparing for the future and company strategy.
- Set up on-site management-labour dialogue committees where more than 10% (this threshold must be adapted in function of situations) of employees working at a site are employed by employers other than the main employer or order giver.
- Set up forecast exchange committees between order givers and subcontractors.

- Set up regionalised and inter-company social dialogue boards, giving company representatives and employee representatives powers of collective negotiation.
- Promote and finance multi-stakeholder responsibility for health initiatives.

The case of multinational management-labour dialogue must be dealt with as such. The problems that arise stem largely from the fact that neither the establishment of a union actor at the level of a European group nor the establishment of multinational employer-labour standards occur spontaneously. Several examples show that European works councils can make a very useful contribution to solving the problem, provided that the union organisations present in the different countries in which the group has a presence can establish themselves as an international-level actor. Furthermore, in groups of a certain size, the existence of a department specifically in charge of guiding change and of adherence to a labour standard facilitates management-labour dialogue and negotiation at international level, but struggles to produce results beyond the borders of the country in which the headquarters of the group concerned is situated.

#### Recommendations to companies:

- within groups create “change departments” in charge of piloting restructurings in the group’s different countries of location and at its different sites.
- Provide unions with the material means for organising an international agency that meets at least twice a year.

#### Recommendations to unions:

- Where a European works council exists, establish an international agency and meet at least twice a year.

#### Recommendations to social partners:

- Dedicate at least one meeting per year of the European Works Council to the group’s strategy and to its consequences for jobs at the group’s various sites.

#### Recommendations to public authorities:

- promote development and the practices set out above
- Include health promotion in restructuring into the concept of “corporate social responsibility”.

## 2.2. Tools and mechanisms

### ***Anticipate***

*Anticipation is a form of action that aims to act on the two main transformation vectors of restructurings in crisis: the lack of time and lack of resources of the actors concerned. Two types of action favour the development of a permanent ability to change, these being: those that aim to strengthen forecasting and those related to employability.*

Big firms have more or less routine practices of forward-planning, strategic development, skills management, etc. During the course of the project, no particular need to strengthen these forecasting capacities has appeared. The situation is far more complex in the case of SME that can hardly boast of such an impressive arsenal. For these small companies often more sensitive to the effects of decisions taken by other larger companies, an increase of anticipation faculties involves membership of a monitoring network, which we should consider pertinent at both regional level and in the organisation of a specific dialogue with order givers. The main issue here is to take into account not only the changes that impact SME but also the very particularity of small companies and their diversity.

#### Recommendations to regions:

- Make selected and processed information available to small companies (the renewed policy of the districts in Emilia Romagna are a good example of this)
- Help to organise exchanges of forecasts between order givers and subcontractors
- Promote company clubs and sites for exchanges between pairs
- Promote the development of employer groups.

#### Recommendations to small companies:

- Vouch for the creation of regional networks and the creation of employer groups.
- Promote collective monitoring.

Restructurings make job changes for employees more frequent and more probable. This mobility is particularly problematic if a permanent learning and training policy is not implemented outside restructuring periods. It is indeed very inefficient only to deal with training and employability at the time layoffs occur, while an earlier implementation increases the efficacy of what can be done at this time. Lastly, this policy is based not only on training, i.e. the transfer of knowledge, but also on the acknowledgement of experience acquired, i.e. on the acknowledgement and confirmation by a diploma of skills acquired in and outside work over the course of a lifetime.

#### Recommendations to public authorities:

- Monitor the existence in each country and region of operational permanent training and acknowledgement of experience acquired mechanisms.
- Make sure that these are accessible on a regular basis to all employees whatever their status and place in the qualifications hierarchy.
- Make sure all employees have access to this on a regular basis.

The operational implementation of training and EVA policies does not only depend on the existence of a services offer but also on the desire of employees and companies to use them. For training and EVA to be integrated in the day-to-day life of companies, negotiations need to be carried through on these matters. A desire to train on the part of employees and company managers must also exist, which is not the case either for the least qualified or for older employees or for the managers of small companies. In other words, employability and the means for developing it must be the subject of social dialogue and negotiation in the company and mechanisms for encouraging training and confirming acquirements must exist. This is what the appointment of employability delegates in the United Kingdom and what the inter-occupational agreement on training and the obligation for companies of more than 300 persons to set up negotiation on employability in France are aiming to achieve.

#### Recommendations to public authorities:

- Draw up rules to make employee employability the subject of management-labour dialogue inside and outside the company.
- Give employees and their representatives real negotiating power in mechanisms that maintain and develop employability.
- Permit access to mechanisms to all employees regardless of status.

#### Recommendations to companies:

- Integrate training and experience acquirements confirmation in the day-to-day management of companies, both large and small.

#### Recommendations to unions:

- Take steps to provide permanent employee access to professional learning, training and acknowledgement of experience acquired.
- Take steps to establish regionalised and mutualised mechanisms of professional learning, training and acknowledgement of experience acquired.

The very same is true for health related topics. Health is a particularly essential resource when professional transitions must be considered and a special attention is needed at the time of the announcement of restructurings as well as it is necessary to integrate a preoccupation for the health related matters in the current management, out of the restructuring periods.

Recommendations to public authorities:

- Foster a problem solving approach on health by companies
- Enlarge the focus of health and safety regulation by including prevention of the restructuring and changes in organisation negative effects on health
- Develop specific approaches for SMEs
- Fostering local innovative practices
- Give the health insurance funds the possibility to act during the restructuring processes to promote solution for taking charge of health related problems.

Recommendations to companies:

- Implement special settings to pay attention to health related questions and problems.

Recommendations to unions:

- Put down health related question into social dialog at company level.

**Prevent**

*Prevention aims at limiting the extent and consequences of the break-up that engages restructuring. For types of action are involved here: transparency of decision-making, measures involving the number and type of lay-offs to be made, those concerning the methods of selection of laid off employees and those concerning the preventive management of the effects of lay-offs on persons and regions.*

If the forward-planning and strategies drawn up by companies are not shared, they only benefit themselves, leaving other actors ill-equipped to face what will appear to them, when the moment comes, to be a sudden crisis. This is a factor of crisis and instability for companies. This subject of sharing information pose an unresolved problem in many countries and companies. It is quite a frequent strategy on the part of the employer: announcing the restructuring project at the very last moment to limit the space to manoeuvre of employee representatives. The negative consequences of this strategy for the collective outcome are obvious and have been fairly well demonstrated by the Renault Vilvoorde case. The first aspect of prevention is thus "information sharing well in advance" in order to prepare employee representatives, employees themselves and the other stakeholders to the coming changes and give them as much time as possible to cope with it.

Recommendations to all actors:

- Whatever the size of the company, promote the principle of early announcement of restructuring decisions, even before the implementation methods have been decided on.

The decision to restructure is taken by company management. Therefore, Holding in-depth discussion with the other interested parties on the possibility of conducting the change in another way has two advantages. It enables the said interested parties to get an in-depth understanding of the situation and to optimise the search for solutions via a collective search for possible alternatives. Thus it is not rare for solutions [omission in original] As soon as the risk of lay-offs is observed, the search for economic and social solutions must start quickly and continue up to the termination of work contracts, the aim being to find solutions before this happens.

Recommendations to public authorities and actors:

- organise the debating of restructuring decisions and of the resulting choices.

Where the termination of work contracts is inevitable, the choice of who is to leave cannot be left up to one employer, both for fairness reasons (non-discrimination) and for efficiency reasons (survivor syndrome, ease of reclassification).. In this context, avoiding forced lay-offs by appealing for voluntary redundancies is preferable provided it does not deprive employees of the aid they need and the compensation to which they are entitled.

Recommendations to public authorities and actors:

- Make companies responsible for the employability of the employees they lay off.
- Establish rules providing for real voluntary redundancy and the transparency of the process.
- Establishing rules providing for both a fair selection of laid off employees and the setting up of negotiation of solutions to be implemented to guarantee the future welfare of laid off employees.

In many companies, particularly in large groups but also in smaller-sized companies, the internal work market provides a space in which reclassification solutions can be found. This solution is positive from several points of view. It enables companies to reallocate their human resources and to promote the development of their employees' skills. It provides employees with easier and more secure transitions. Furthermore, early announcement of restructurings provides space, in the case of employees, for training and early detection of welfare or health problems, in the case of subcontractors, for preventive load rebalancing actions and, in the case of regions, for early regional conversion measures.

Recommendations to companies :

- establish in advance rules governing internal reclassifications in the event of restructuring in companies by means of agreements
- organise employee support before the termination of the work contract.

Recommendations to regions:

- organise the setting up of actor networks when a restructuring decision is known
- create an aid mechanism for the subcontractors of large companies and for small companies in the sectors affected by restructurings
- create, or check the existence and proper functioning of training aid and employee reclassification mechanisms.

Recommendations to unions:

- negotiate agreements and participate in the implementation and follow-up of the mechanisms mentioned above.

***Repair (organising transition)***

*Repair aims to eliminate the dangers to which the persons and regions that are victims of job cuts resulting from restructuring are exposed. Two types of actions are to be considered here: support actions for employees out of work and revitalising actions for the affected regions.*

In the cases studied, several mechanisms form these two types of action, the main issue being the locating of, inter-relating of, coordination of and piloting of a large number of contributors to the realisation of these actions.

Employees out of work need security (income, medical cover, status, etc.) and the time necessary to organise their transition. They need to benefit from occupationalised aid mechanism that provides individualised support, prioritising aid to the individual over the search for a priori solutions and the search for durable solutions over the search for short-term employment.

The existence and overall quality of this mechanism in a given region depends on the public authorities, which means they initiate and promote appropriate mechanisms and are responsible for checking their functioning and results.

Recommendations:

Public authorities must guarantee the implementation, correct functioning and assessment of a system:

- capable of managing all the resource problems employees may have, whether these concern health, economic autonomy, skills (training, acknowledgement of experience acquired) or the search for employment (advice, coaching, etc.);
- capable of offering a wide range of solutions (immediate search for a new job, setting up of a longer conversions, company creation, long-term training);
- universal, i.e. capable of providing the same services, of the same quality, to all employees regardless of their status and their company. This point is

particularly important: these status differences, in a number of countries, deprive employees who lose their job of the aid and services they need;

- easy to use by the actors involved (companies and employees);
- capable of providing effective in-situ coordination between the many public and private participants that make its existence possible.

Considering the delay the consideration of health problems entails in dealing with restructurings, specific actions are necessary.

#### Recommendations:

- Including health promotion in restructuring into the concept of “corporate social responsibility”.
- Better inclusion of persons with insecure and marginal employment into health promotion. Quite often, only full-time and sometimes only permanent staff are eligible to access health benefits. These restrictions are automatically discriminating those in insecure or marginal employment. There is an urgent need to discuss the unequal treatment of temporary workers and disabled workers regarding the accessibility of health benefits within a company.
- Ensure that job loss does not lower health protection.

Depending on the extent and circumstances of job losses, two types of mechanism are necessary:

- those of the “reclassifying unit” are particularly adapted to massive job losses, i.e. restructurings greatly affecting many labour groups;
- those of the “job security foundations” type in Sweden or “occupational transition contracts” in France are particularly adapted to limited-extent or geographically dispersed job losses, these actually affecting a greater number of employees but also any different companies.

#### Recommendations:

- guarantee the existence and coherence of these two types of mechanism in each country and region.

The development of professional transition organisation mechanisms has created new trades and new occupational requirements. Innovations are relatively continuous, but the capitalisation and dissemination mechanisms are weak, while the quality of the services offered is vital for the system to work satisfactorily. The professionalism and quality of services provided must be guaranteeable.

Recommendations:

- Implement quality standards that guarantee the efficiency of organisations participating in these mechanisms and the professionalism of operators both from the personal relationships point of view and the mechanism engineering and management point of view.

Regions hit by restructurings need to set up and run projects that enable them to overcome crises and manage the many problems that have arisen. They also need to be able to mobilise and coordinate the region's actors, including the company(ies) restructuring. It is necessary to follow a global, multidimensional approach in dealing with local-level restructurings.

Recommendations to regions:

- implement specific restructuring management resources
- facilitate, or even set up multi-actor boards (administrative and political representatives of regions, company representatives and union representatives), for the piloting (design, follow-up, assessment) of projects from upstream to downstream.
- develop ad hoc mechanisms with which to increase occupational mobility in the local labour market:
  - ▶ by organising the implementation of mutualised occupational transition support tools intended for all employees affected by restructurings in a region (for example, reclassification platforms);
  - ▶ by carrying out regional jobs and skills management measures (regional skills cards, training plans, jobs and skills management planning).

Recommendations to public authorities:

- Start up mechanisms involving companies, in financial and skills terms, in the mechanisms and projects created by regional actors in the event of restructuring.

Recommendations to companies:

- Get involved in the mechanisms and projects created by regional actors in the event of restructuring.

Recommendations to unions:

- Get involved in the building of regional management-labour dialogue and in regional restructuring piloting structures.

## 2.3. Assess and capitalise

*Finally, assessment appears to be the key to a coherent mechanism for job management in restructuring situations. This assessment covers three complimentary aspects:*

- *norm-referenced assessments as results measurements*
- *quantitative and qualitative assessments as piloting tools*
- *feedback as learning tools*

*But, this is also the dimension that, in all the participating countries, presents the most manifest deficiencies.*

A norm-referenced test of results at the end of the restructuring process only allows us to objectivise the nature, extent and occurrence of the dangers brought by the restructuring process. In this respect, ignorance feeds antagonism, polarises postures, increases the feeling of crisis and powerlessness, deresponsibilises actors.

As with the running of any project, job management in a restructuring situation supposes the existence of piloting tools for the actions undertaken in order to allow them to be adapted or re-oriented in function of the results obtained. However, it seems that a consensus has been arrived at to measure the resources deployed and not the results obtained. However, it is the opposite that is required: follow-up results and according to them correct the resources deployed.

The case studies, in particular the Swedish ones, attract attention to the fact that it is not so much the nature of the innovations that matters, but rather the way in which they are designed and implemented. This approach has a lot to do with learning from experience and the latter implies both the existence of assessment and the existence of a location and resources for consideration and sharing of experiences.

The few existing examples of assessment and capitalisation indicate the directions to follow, a sure sign that public authorities are vital to the immediate deployment of assessment, follow-up and learning mechanisms.

### Recommendations :

- Assess the results of restructuring operations, and we know from several pioneering experiences that this means assessing the functioning and efficacy of mechanisms, the benefit received by the beneficiaries themselves (surveys, questionnaires) and the careers follow-up.
- Set up :
  - ▶ piloting or reference groups that follow-up restructuring operations;
  - ▶ regional, multi-actor observatories, whose functions include assessing the practices deployed and organising capitalisation over time on the experiments carried out , in association with the interested-party actors of these processes;

- ▶ exchange locations per actor (company consortiums, union networks, regional forums, etc..) and multi-actor (regional capitalisation observatories, multi-actor Forums). Such initiatives already exist both their development and their inter-relationships should be encouraged;
  - ▶ facilitate exchanges between pairs (company, employee representatives) on the use of the internal labour market as a tool for avoiding lay-offs;
  - ▶ the same type of structures at multinational level, by creating pilot groups including companies carrying out restructuring in several countries;
  - ▶ trans-border experiments involving volunteer actors to test the deployment in their countries, the ideas, concepts and ways of developing them in other countries;
  - ▶ support for health promotion pioneers: Head-on discussion of health as a competition advantage and factor in companies to reduce barriers and prejudices – this requires pioneers such as the Federal Association of Company Insurance Funds in Germany (BV BKK) which facilitates transitions into reemployment.
- Allow regional actors in charge of restructurings and those in charge of local development to exchange with their counterparts in other European regions on their practices.
  - Study the possibility of creating a European mediation board on transnational restructuring operations that have a large impact in terms of jobs and regional balances.

## Annex I : The sources of the recommendations

These recommendations have been drawn from 3 sources. The main source is the MIRE project, the two others being recommendations already in existence and other current MIRE projects in which we have been asked to participate. These three sources are briefly set out here.

Drawn up in the context of a petition made in reference to article 6 of the European Social Fund, the MIRE project is a Bottom-up project which aims to capitalise on field studies and exchanges between actors, the innovations enabling improved management of the restructuring process.

To achieve its objective, the project has organised two types of action.

Studies carried out by researchers in five countries (Belgium, Germany, France, Sweden, United Kingdom) have made it possible to analyse:

- national restructuring piloting mechanisms (5 studies) and to create a comparative tool for the said mechanisms over the course of the project (2 studies)
- processes deemed to contain innovations (31 studies).

Workshops for actors (bringing together union representatives, heads of companies, representatives of bodies (public or private) responsible for organising occupational transitions) and representatives of regions) of a duration of between 1 day and 1.5 days saw case study-based debates and discussions held between actors.

The workshops enabled the project to benefit, thanks to the reports, from the contributions of actors from fields with particular histories of restructuring. 29 workshops of various kinds have been held: Multi-actor national (12), multi-actor international (11), single-actor international (4), tripartite European (1).

All the work has led to 7 transversal syntheses: one per actor and three on the subjects chosen: health, the restructuring process and Europe.

In parallel to the elaboration of these syntheses a recommendation drawing-up process has been initiated.

MIRE is not the first (and certainly not the last) project that aims to establish recommendations and previous recommendations are useful sources. Particular attention has been given to two of them, within the framework of the project, mainly because their authors pursue objectives close to ours: to draw up multi-actor operating recommendations based on the experiences of different countries. These are those produced by J.B. Hansen within the framework of the BIT and those that come from the high-level group. At a different level, the work undertaken by the Danish institute of technology has been added to contributions.

This work attracts attention to a point that could become a recommendation: it would be particularly useful to collect the different recommendations issued in order to :

- understand their common aspects and their differences;
- measure whether and how the formalised recommendations have been followed by effects, and why.

The MIRE was shortlisted in 2004 by FSE at the same time as 15 other projects concerned with restructuring. During execution of the project, relationships were established and exchanges took place, adding value to our reflections. These include the following projects :

- « Compared outlooks on the management of employment restructuring in regions ».

Its objective was to equip rural TPEs with the capability to anticipate change and to support them in managing restructurings. This project specifically aimed to locate "hidden expertise", good anticipatory practice and innovation capabilities in the management of employment restructurings; to transfer this know-how through a specific form of "integrated training" in the networks involved. Promote discussions between representatives of companies, unions, administrations, management consultants, actors involved in a region's economic fabric, researchers providing specific know-how or methodologies..., in order to fine tune tools to serve TPE professionals. (countries involved: Germany France Italy).

- MOOS (Making Offshore Outsourcing Sustainable).

This project's aim was to produce and disseminate a method booklet for employee representatives to build the necessary management-labour dialogue concerning relocation decisions. More precisely, it aimed to improve knowledge on relocation processes; to develop a union strategy aimed at making these processes economically and socially responsible; to develop mechanisms with which to anticipate these movements and the future of highly-skilled work. (Countries involved: Germany, Belgium, Denmark, France, Holland, Sweden).

- TRACE (Trade union Anticipating Change in Europe).

The aim of this project was to increase the capacity of European unions faced with the challenge of economic and industrial evolution to defend the interests of employees. More specifically, it aimed to develop the knowledge, skills and outlook of union leaders and representatives in terms of anticipation, preparation and support in large-scale restructurings. (countries involved: Austria, Belgium, Denmark, Finland, France, Italy, Portugal, Spain, Sweden, United Kingdom).

## Annex II : Is it necessary to make recommendations ?

The very idea of making recommendations following a project raises several questions and objections and is the subject of lengthy discussion among associates. It appeared useful to us to consider this and reply to one of the principal questions a multi-actor project poses: who are recommendations addressed to?

- In the name of what can MIRE make recommendations?

The MIRE project has set itself the objective of seeking out what would be a coherent piloting and management system for restructuring processes that concerns itself with protecting the interests of the various actors involved. To do this it has set up a dual mechanism including the production of case-studies considered as innovative by their backers and the holding of national and international multi-actor workshops responsible for examining them. In this mechanism, the collection of case studies should not be understood to be a survey of “good practice”, but rather the materialisation of a “subject for discussion”, necessarily local and contingent but a priori in relation to the project objectives, to be submitted to the various points of view of actors from various horizons. The project did not therefore initially concern itself with the drawing up of an expert opinion or with a cataloguing of innovations, but with organising a joint discussion of specific cases, thus implementing a capitalisation approach. It is in the name of this “capital” that the project leaders considered it pertinent, after discussion, to make their recommendations.

- This being a multinational project, how far are these recommendations still pertinent where usages, institutional agreements and legislation differ?

In the different countries of the project, regulations differ but the principles, stages and consequences of the restructuring processes are similar. In other words, from an institutional point of view, we respond differently to the same types of problems. Furthermore, if most of the innovations studied arise from the slightly chance encounter with goodwill and resources available locally, the responses drawn up and actors’ behaviour in these circumstances show numerous similarities. Put another way, from a practical point of view, where an answer is found, we respond globally in the same way to the same problems. The recommendations that can be made at the end of a project are therefore based on a community of problems and practices, recommendations which it will fall to each actor in each country to “translate” to its own institutional culture.

- Who are recommendations addressed to?

These recommendations are of course addressed first to the commission, the orderer of the study. Beyond this, they constitute an appeal to the actors who have contributed to them, whether these are company representatives, employees, occupational transition management professionals or regions. Lastly, they are addressed to the public authorities in charge of economic policy and employment policy at European level and in the different countries of the Union. This diversity of addressees may appear to condemn these recommendations to such a general level so as to reduce them to a few broad principles with no operational impact. It is however necessary, each addressee having expertise in one or several fields of action which can all be fitted into coherent mechanisms, that they be fitted into usages, contractual agreements and rules and, further, that they be framed into a set of incentives or sanctions, these being symbolic or material.