


Managing Chance and Restructuring with Social Responsibility

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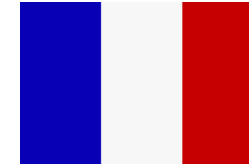
We have and we live the European approach



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What we do

- We support social partner and works councils in their work on the European and subsequent national levels
- We participate in research for them and for European institutions (e.g. TCA-Database Project)
- Using the resources of our mother companies/shareholders
- And the network of experts that is associated with us



What we offer: training

- Consultingeuropa offers high quality training courses to EWC's and other worker representatives in order to strengthen the position of the representatives and their EWC, works council or union.
- Consultingeuropa's training courses are cross border and aimed at enabling participants to effectively influence the decision making process in their organization, possibly at the strategic level and most certainly at the tactical and operational levels.
- Courses by Consultingeuropa are delivered by outstanding professionals whose in detail knowledge enables them to deliver a customized result.
- Consultingeuropa's themes are: "strategy, finance and management", "knowledge, information and mobilization" and "skills and cooperation"



Our themes (1):

Strategy, finance and organisation


- What is going on in your organisation and how can you anticipate on developments?
- Why does your management want to restructure and how can you assess the quality of their decisions and plans?
- Where can you find strategic, financial and operational information?
- Why is your company organised this way?
- How can you translate this information to the national and local level, helping your colleagues to anticipate?



Our themes (2):

Knowledge, information and mobilisation

- ‘What rights do we have? What role do we play? What information is relevant?’
- What are the rules and regulations regarding worker representation in Europe?
- What are the rules and regulations on the national level in the different countries that are represented in my council?
- The main question is: How do I put this information to good use? How can I reach my goals?



Our themes (3):

Skills and cooperation

- How can we work together when our interests are not the same?
- Why is it that my colleagues do not understand my motives?
- How do we organise our work and our council?
- We need to negotiate and to communicate
- We need to conduct an effective meeting.
- How can we use the differences in culture between our countries?



What we offer: consultancy

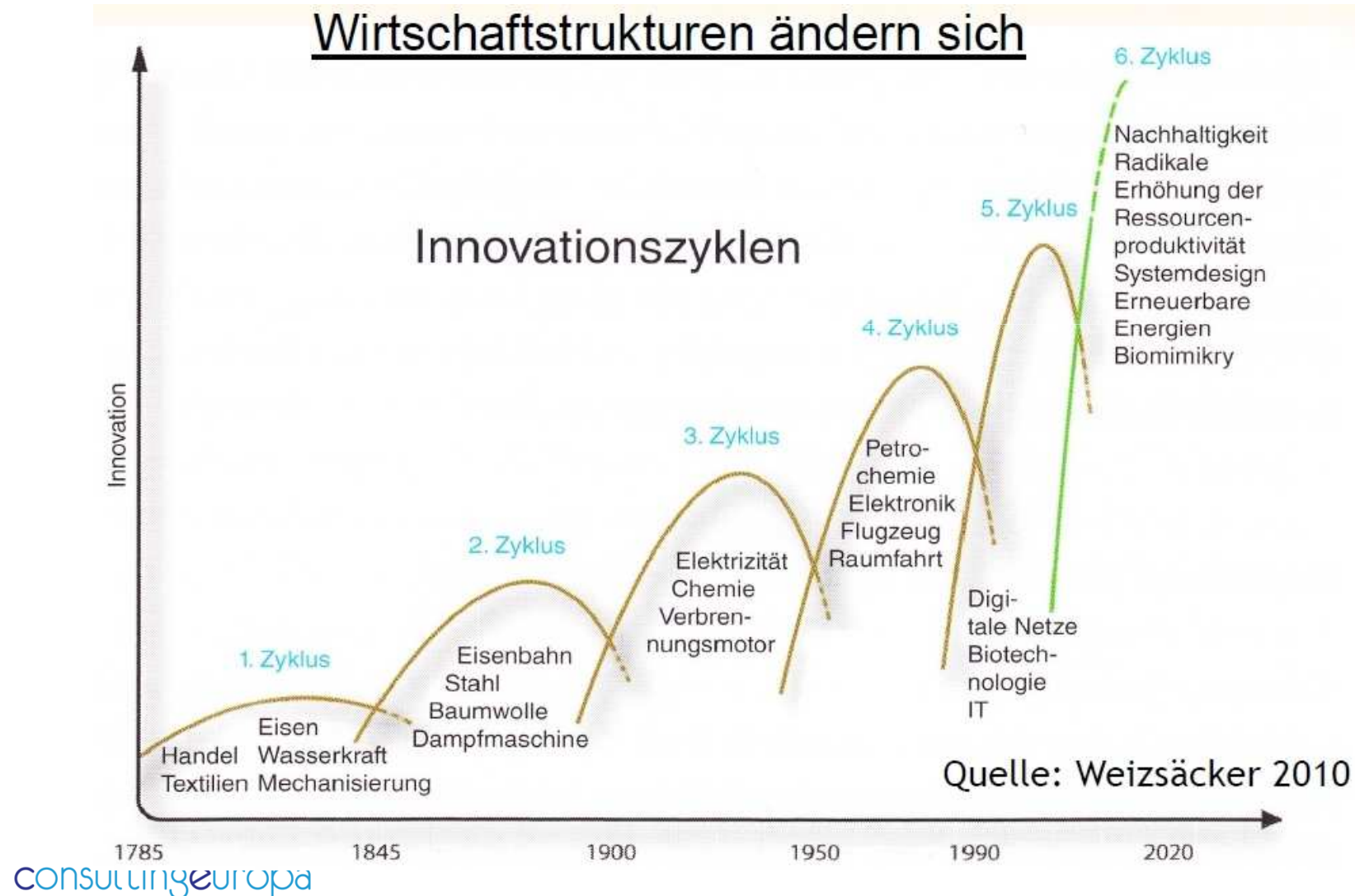
- Consultancy looks at the process of establishing an EWC by supporting the SNB
 - Primarily judicial expertise and negotiating skills
 - Long term process (up to three years)
 - Often “the way to get in”
- Support of EWCs in their work
 - Support during meetings with management
 - Identifying strategic issues
 - Assessing and analyzing information
 - Translating knowledge to the national and local levels



Change, Restructuring and Actors

1. What do we know about „Drivers of Change“ and Restructuring?
2. What do we know about Actors?
3. How to deal with challenges in a socially responsible way?

Change of Economic Structures





What do we know about change and restructuring?

- Admission: Initially considered as accidental events, unfortunately though chance happenings, unforeseeable beforehand → still widespread
 - Reality: Restructurings are always more permanent → is observable especially at the level of regions or within large companies
- Restructurings represent a „permanent risk“ that justify the integration of change into a day-to-day resources management of methods designed to guide and to manage this.




Restructuring and Change


- Current economic and social shifts bring permanent change
 - Productive organisations need stability to function

Stability for productive organisations through:

- constraining routines
- or
- Development of methods that allow them to integrate change into the day-to-day management of the activity and work behaviours

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- **A process linked to change: markets, technologies and productivity develop** continuously and sometimes very rapidly. However whether rapid or slow, these developments bring with them both risks and opportunities resulting in companies changing direction.
 - Change is a complex and multi-faceted phenomenon. When the present structure of a given company requires change or modification very often restructuring occurs.
 - In a way, restructuring is the negative side of change.

Source: EU-COM 2010: Restructuring Tool-Box



Restructuring is defined as a unifying concept for all types of adaptations that lead to the reduction of the number of workers, or relocation of work, etc.

This may include downsizing, workforce reduction, plant closure, outsourcing or off-shoring (when plants are closed and jobs are moved to other countries).

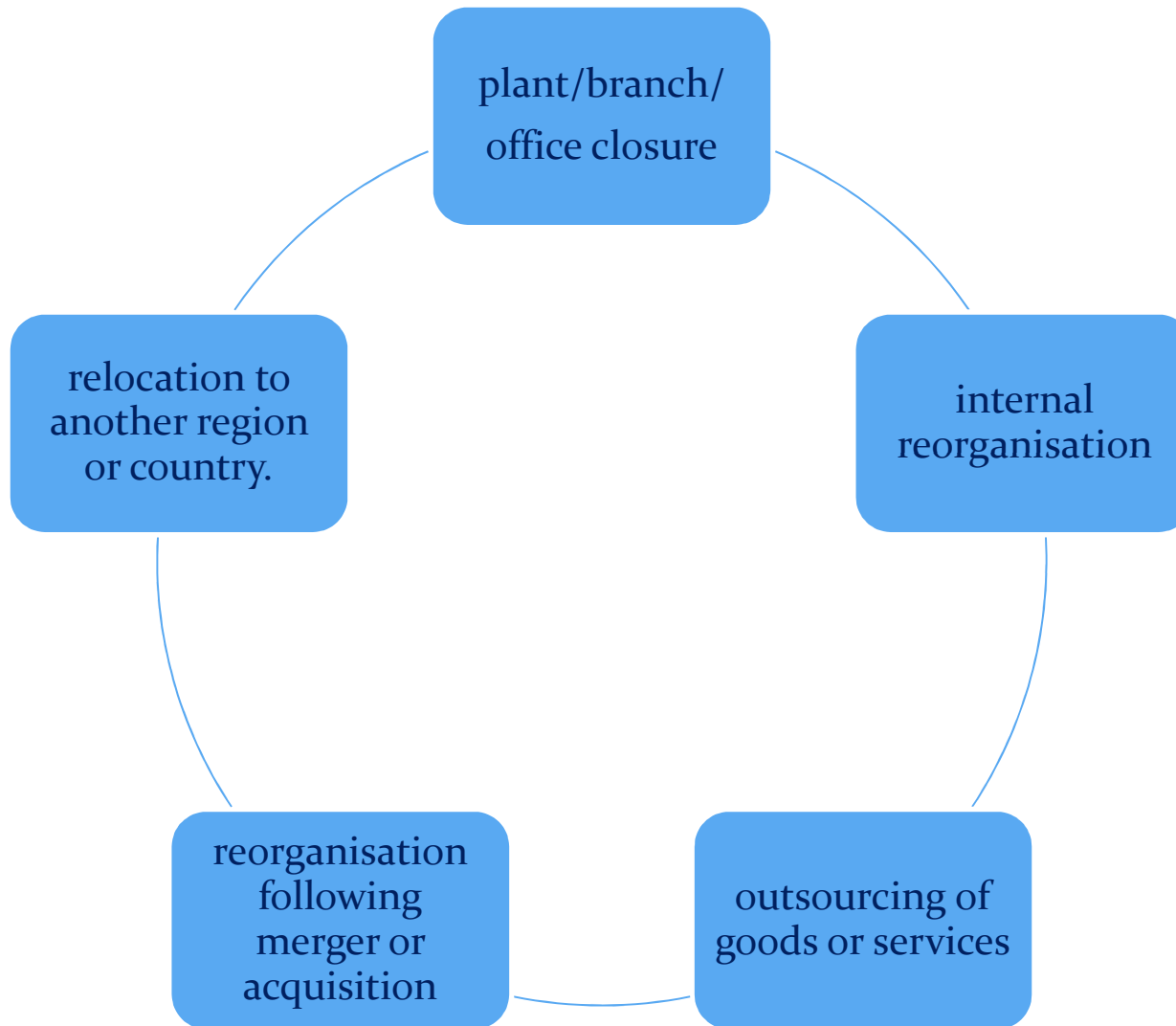
In most cases restructuring implies some form of transition or change on the individual level, most often a transition to another job, within or external to organizational boundaries.



Different forms of restructuring often occur for specific underlying reasons, e.g.:

- increased competition;
- downturn in the market;
- advent of new technologies or new methods of production;
- management failures but also ‘fashions’ and trends in management
- tools and practice;
- demands of the financial market.

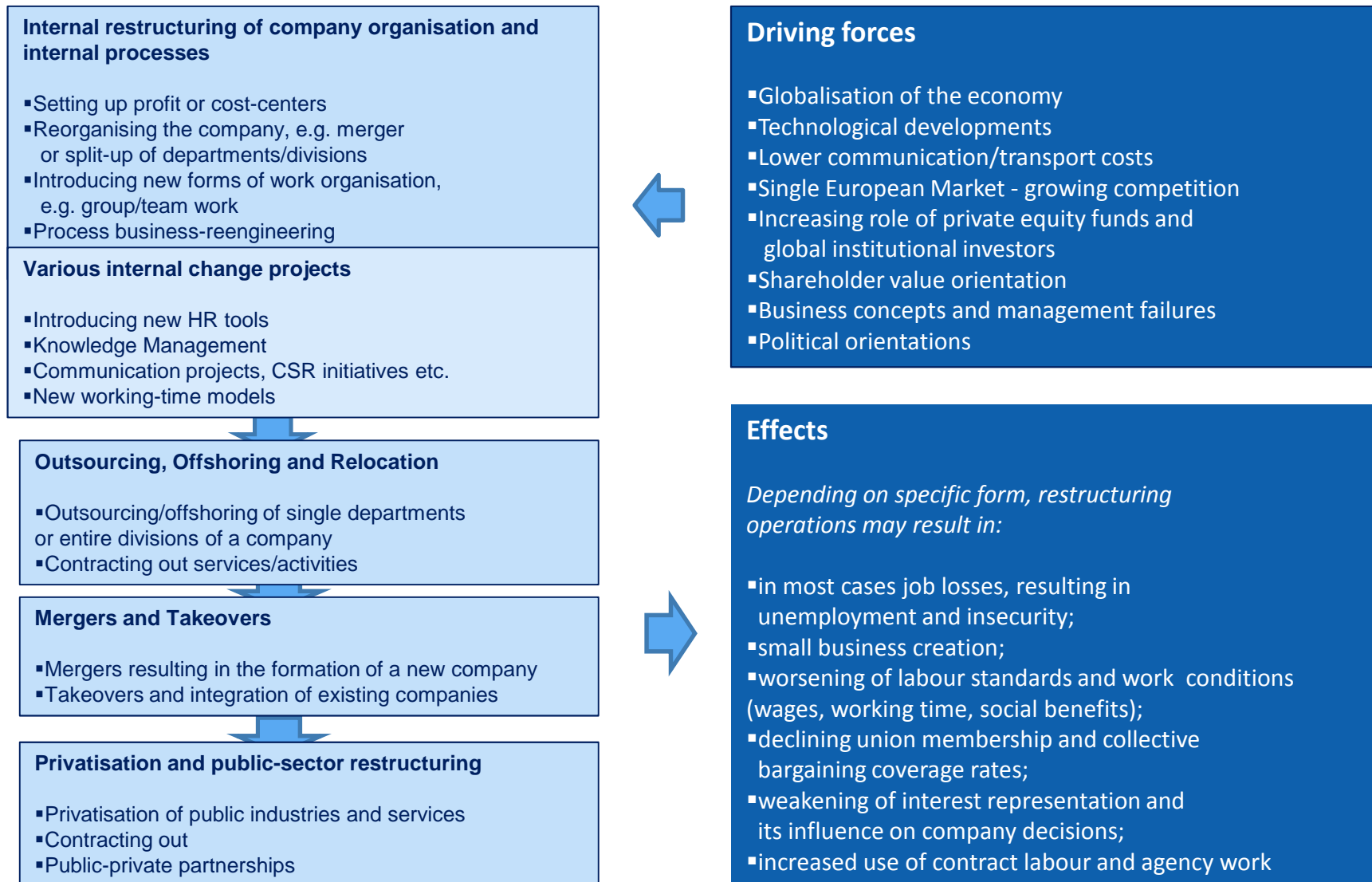
Different types of restructuring



European Restructuring Monitor in the period: 2002 - 2010

Type of restructuring	# Planned job reductions	% Planned job reductions	# planned job creation	% planned job creation	# Cases	% Cases
Internal restructuring	2970833	72.48%	69607	3.18%	4774	40.78%
Business expansion	1175	0.03%	2027274	92.49%	3805	32.5%
Bankruptcy / Closure	493779	12.05%	2115	0.1%	1409	12.03%
Offshoring / Delocalisation	180404	4.4%	331	0.02%	558	4.77%
Merger / Acquisition	145629	3.55%	81458	3.72%	304	2.6%
Closure	99019	2.42%		0%	290	2.48%
Relocation	56836	1.39%	6850	0.31%	231	1.97%
Bankruptcy	87153	2.13%	160	0.01%	229	1.96%
Outsourcing	33356	0.81%	395	0.02%	61	0.52%
Other	30880	0.75%	3605	0.16%	47	0.4%
Total	4.099064	100%	2.191795	100%	11708	100%

Variations in restructuring operations (overview chart)



Variations in restructuring operations

Internal restructuring of company organisation and internal processes

- Setting up profit or cost-centers
- Reorganising the company, e.g. merger or split-up of departments/divisions
- Introducing new forms of work organisation, e.g. group/team work
- Process business-reengineering
- IT projects

Various internal change projects

- Introducing new HR tools
- Knowledge Management
- Communication projects, CSR initiatives etc.
- New working-time models

Driving forces

- Globalisation of the economy
- Technological developments
- Lower communication/transport costs
- Single European Market - growing competition
- Increasing role of private equity funds and global institutional investors
- Shareholder value orientation
- Business concepts and management failures
- Political orientations





Outsourcing, Offshoring and Relocation

- Outsourcing/offshoring of single departments or entire divisions of a company
- Contracting out services/activities



Mergers and Takeovers

- Mergers resulting in the formation of a new company
- Takeovers and integration of existing companies



Privatisation and public-sector restructuring


- Privatisation of public industries and services
- Contracting out
- Public-private partnerships



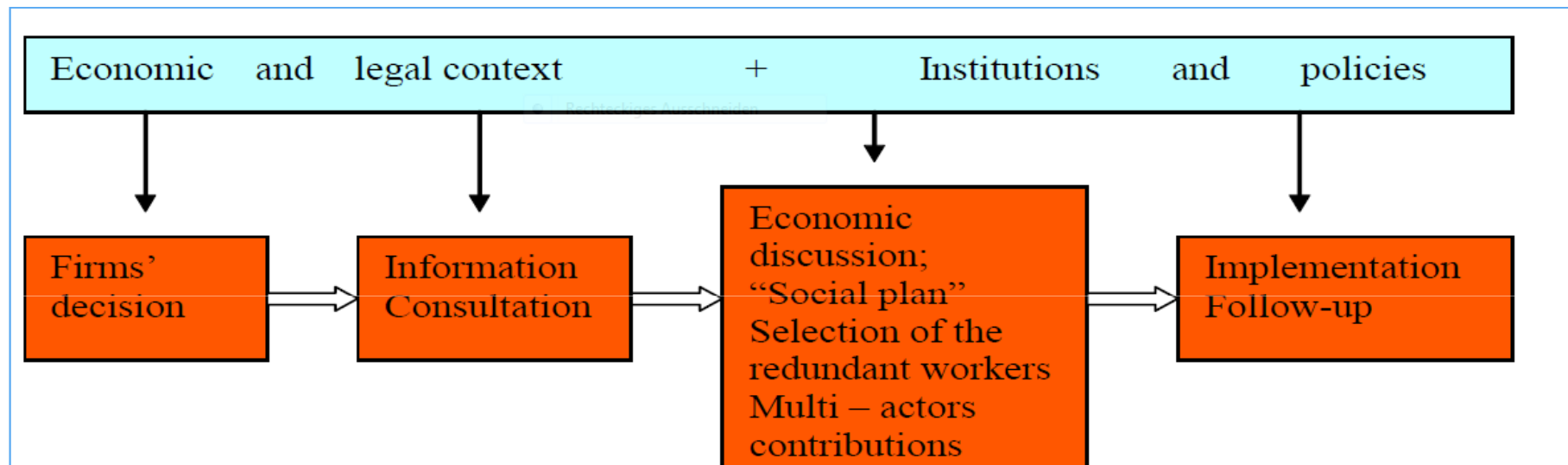
Effects


Depending on specific form, restructuring operations may result in:

- in most cases job losses, resulting in unemployment and insecurity;
- small business creation;
- worsening of labour standards and work conditions (wages, working time, social benefits);
- declining union membership and collective bargaining coverage rates;
- weakening of interest representation and its influence on company decisions;
- increased use of contract labour and agency work

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- Restructuring processes are taking place when the company structure is brought into question to one degree or another
 - Consequences: break-ups with the previous stability and established routines: characterised by the fact that they pose significant risks and dangers to the employees, regions and companies involved
 - Restructurings are multi-level and multi-actor processes

Restructuring as processes :





Restructuring always directly affects labour issues and the interests of employees and their families as well as local communities:

Whether or not restructuring results in dismissals, unemployment, distress, regional crises or leads to improved living and working conditions, better jobs and enhanced individual career prospects for employees is not predetermined.

It very much depends on the way restructuring operations are carried out and the specific frameworks within which it is implemented at the level of companies, regions, national and sectoral environments and beyond.

Restructuring: Challenges

For men and women

- Health
- Self esteem
- Income
- Social integration

For regions

- Growth Employment
- Social cohesion
- The organisation of space (industrial wasteland)
- Quality of life (environment, poverty, delinquency)


For companies

- Productivity
- Profitability
- And often survival, i.e. whether they can actually continue to exist



Corporate social responsibility in the context of workforce reduction and restructuring has become a widely discussed topic in the European context.


The reason for this debate is the extensive restructuring efforts believed to take place due to increasing globalization, deregulation of product markets and pressures for increasing productivity and efficiency, in both the private and the public sector



What social responsibility means in the context of workforce reduction is hard to get a grip on.


For some it means that companies should try to avoid workforce reduction as much as possible or at least consider other alternatives before they choose to lay off their workers (Cascio 2005).

For others it simply means to follow the rules as provided by the employment protection legislation, no more and no less. This may, for example, entail to announce notice of redundancy within the timeframe given by law, or to follow the procedures of selecting workers to be dismissed as required by law




Other researchers have argued that social responsibility means that to do more than what is stipulated by laws or collective agreements (IRENE Network 2010).

In some cases this could entail extending the period of dismissal and re-integration measures for the affected employees according to new demands on the labour markets.



When companies claim to “do more” than required by law, this tends to be based on a comparison to what other companies do.

Common to all these definitions in case of restructuring is that normally social responsibility is defined from the outside, i.e. by actors or institutional frameworks external to the company.



Preparing for and managing restructuring for a sustainable future

A Code of Conduct

**Input for the development of TCA, CSR-Strategies,
Multi-Stakeholder-Dialogues, etc.**



The IRENE Network (Innovative Restructuring European Network of Experts)

- The IRENE network has its focus on restructuring in Europe
- Who is part of the network?
 - Practitioners
 - Experts,
 - Academics,
 - Consultants and
 - Social partners.



The IRENE Network

- What does the network?
 - More than 200 case studies at national, sectoral, regional and company levels
 - Organised numerous workshops and meetings with social partners, policy makers and various experts from most of the 27 Member States.
 - The experience shared within IRENE, in its capacity as a learning network, has led to draft a common position on the way restructuring should be carried out in a socially responsible way



The main weaknesses of restructuring models in Europe are
(1):

- The lack of preparation and anticipation as well as deficits in exploiting “lessons learned”;
- Unequal access (dependent on company size) to occupational re-orientation and support measures for employees, and still unconvincing proactive labour market measures;



The main weaknesses of restructuring models in Europe are (2):

- Limitations to company-based approaches, either because the trigger for restructuring is to be found outside a company (and consequently outside its decision-making scope) or because companies do not have sufficient resources to tackle restructuring in a sustainable way;
- Over-restrictive concepts of employment and employability not taking people's needs and resources into account



Seven European principles for action – Preparing and managing restructuring for a sustainable future (1)

1. Paving the way for a sustainable future
2. Promoting an effective, enlarged and innovative social dialogue on restructuring
3. Taking local communities into account and promoting a multi-stakeholder dialogue
4. Ensuring fair and consistent career re-orientation opportunities for all



Seven European principles for action – Preparing and managing restructuring for a sustainable future (2)

5. Taking into consideration the health dimension of change and employment
6. Promoting the financially responsible management of restructuring
7. Learning from restructuring experience



The key words of the subsequent seven principles are:

- Legitimacy,
- Effectiveness,
- Dialogue,
- Justice and
- Accountability

European societies, companies and citizens need more innovative approaches to restructuring in terms of social dialogue frameworks, stakeholder involvement, people's say, career re-orientation tools, support and sustainability



Main Commitments and Recommendations

Paving the way for a sustainable future

- The strategic and operational anticipation of restructuring measures has been emphasized throughout Europe as a sine qua non for facing structural change and for maintaining or developing global competitiveness.
- But this goal remains far from being achieved. It requires all stakeholders to take a new look at restructuring in terms of job creation and skills, sustainable development, and its effects on the value chain.



Main Commitments and Recommendations

Recommendations

1. It is crucial to look at both job creation and job destruction. Preparing people for new jobs and new skills, the appropriate and targeted use of vocational training, support for professional and geographical mobility should all be included in new career re-orientation rights and duties.
2. SMEs and (sub)contractors deserve special attention from major companies but also from public authorities and social partners. Supporting them and making training and social measures accessible to them should become a top priority
3. Anticipatory measures, earl warnings, as well as a consistent and timely information and consultation process must be systematically sought when restructuring becomes imminent. Stable mechanisms for achieving those goals need to be set up.



Main Commitments and Recommendations

Promoting an effective, enlarged and innovative social dialogue on restructuring

- Social dialogue based on trust and transparency needs to be effective. But often it takes place just in large companies, leaving aside the situations and problems of employees affected by restructuring in SMEs and (sub)contractors. For this reason, social dialogue should be enlarged, deepened and re-oriented to better address structural change and better cover the plethora of restructuring situations.



Main Commitments and Recommendations

Recommendations

4. New social dialogue frameworks and channels need to be set up or existing ones reviewed, allowing them to encompass not just large companies but also SMEs and all other companies along the value chain. Cross-sector, sectoral and regional frameworks and agreements should be promoted, as they alone can cover SMEs affected by restructuring
5. Existing agreements, especially at sector level, should include innovative provisions to better tackle structural change and accompany restructuring processes.



Main Commitments and Recommendations

Taking local communities into account and promoting a multi-stakeholder dialogue

- The impact of restructuring often goes beyond company borders, directly affecting whole sectors and local communities. It is therefore necessary to enter into partnerships with relevant stakeholders in order to take the community dimensions of any restructuring into consideration. The involvement of relevant stakeholders, whether private or public, and the construction of strong partnerships and cooperation mechanisms going beyond company borders represent a basic requirement for jointly finding solutions mitigating the effects of restructuring on the community.



Main Commitments and Recommendations

Recommendations

6. A multi-stakeholder dialogue can be achieved by first having local and regional actors arrive at a joint-diagnosis of the situation
7. Complementarities, synergies and common guidelines on how to manage restructuring could be identified and developed by local and regional actors.
8. A restructuring task force set up at sector and/or regional level could identify synergies and help stakeholders to better tackle structural change.



Main Commitments and Recommendations

Ensuring fair and consistent career re-orientation opportunities for all

- Despite EU and national standards, the information and consultation process often takes place too late and remains too formal. A timely and consistent process would enable management to involve all stakeholders (individuals and local actors) in anticipating and facilitating sustainable transitions. These processes should also be conceived in such a way as to allow workers and their representatives to have a real say in the matter. Honest information, fair procedures and equal treatment should be ensured for all individuals whether leaving the organisation or not. Employment measures aimed at promoting workers' employability and adaptability are often developed by companies and labour market actors in all phases of the restructuring process. Such measures need to address all workers without discrimination and on a customized basis, with redundancies being avoided wherever possible. Should job losses become inevitable, access to career re-orientation programmes must be guaranteed to all, irrespective of their employment status, the size of the company they work for, or their personal situation.



Main Commitments and Recommendations

Recommendations

9. Individual and timely information must be guaranteed to every worker, as well as giving everyone the opportunity to state his or her opinion.
10. Redundancies must be considered as a last resort measure in any restructuring process.
11. Access to public and private career re-orientation services should be developed and guaranteed to all workers. The specific situations of temporary workers should be taken into consideration in order to ensure an equivalent level of re-orientation support.
12. European directives (for example on collective redundancies) need to be revised to encompass the various contract forms (open-ended, fixed-term, temporary, etc.)



Main Commitments and Recommendations

Taking into consideration the health dimension of change and employment

- There is a large amount of evidence pointing to the detrimental effects that restructuring has on health – before, during and after the restructuring process. There is also evidence that ignoring the health dimension can be detrimental on a company's recovery. Therefore the various aspects of employees' (whether managers and employees) health – and their well-being in general – have to be taken into account, with support offered in all phases of restructuring.



Main Commitments and Recommendations

Recommendations

13. Maintaining employees' health should become an objective of any public or corporate restructuring policy.
14. Restructuring and reorganisation processes in companies should include a health impact assessment.
15. Diseases linked with restructuring and reorganisation processes need to be recognised as occupational diseases.



Main Commitments and Recommendations

Promoting the financially responsible management of restructuring

- Financial severance packages are still given priority when restructuring. This situation needs to be changed, with the emphasis being put instead on encouraging career re-orientation. Restructuring costs for companies, workers, communities and public actors should be monitored in order to enable a fair and consistent financial involvement of the different stakeholders. A system of incentives and penalties needs to be implemented in order to encourage the socially responsible management of restructuring before, during and after the restructuring process.



Main Commitments and Recommendations

Recommendations

16. When restructuring occurs, career re-orientation should prevail over financial compensation packages. Legislation, social dialogue and company practices need to address this issue, underlining the need for consistent investment in human capital.
17. The implementation of a system of incentives and penalties – as already tested in other fields such as the environment – could be applied in the management of restructuring, based for instance existing commitments made in the context of CSR.



Main Commitments and Recommendations

Learning from restructuring experience

- Restructuring is now recognised as a recurrent and continuous process. Yet exploiting “lessons learned” seems very rarely to take place systematically. It is therefore deemed necessary to monitor restructuring processes and their effects, thereby contributing to a learning process among the actors involved and triggering a “virtuous circle” in which change is anticipated and sustainable socio-economic development strategies are enacted.



Main Commitments and Recommendations

Recommendations

18. Education and training on restructuring for both managers and employee representatives needs to be developed and mainstreamed.
19. Companies should be required to publish a report on “managing change”, assessing their restructuring practices and commitments. A tripartite national report on managing change could also be compiled at national level.
20. A monitoring of restructuring processes throughout the EU and their effects within companies and on communities needs to be systematically developed.



THANK YOU

**for your attention
let's have a fruitful debate**

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