



# ERM case studies: Good practice in company restructuring

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This report is available in electronic format only.

*This report presents examples of good practice and effective action in relation to restructuring by companies. The study is based on in-depth company case studies carried out in 25 EU Member States and Norway. It identifies instances where large enterprises have not only respected the minimum standards and procedures stipulated in legislation regarding collective redundancies, or as set out in collective agreements, but have also made significant efforts to minimise the effects of job losses on their workforce and on the local economy.*

## Introduction

This report aims to provide concrete examples of good practice and effective action in relation to **restructuring**. More specifically, it highlights cases where large enterprises have made significant efforts to minimise the effects of job losses on their workforce, as well as on the local economy. The study also looks at the actions taken by trade unions and public authorities in this regard.

Company case studies typically cover the sequence of events involved when the company restructures its operations, from the initial decision to restructure to the outcome for the workers and local areas affected, with a view to extracting examples of good practice at various stages in this process by the different parties concerned.

For almost all EU Member States, at least one case is presented in which the company, worker representatives and public authorities have, separately or together, sought to assist and support workers and the local area at different phases of a company restructuring process. In each case, the actions taken are compared with what typically happens in such cases in the country concerned.

Such assistance might, for example, involve advising workers well in advance of the possibility of restructuring, and consulting with them closely about how best to achieve their aims or, alternatively or additionally, it might involve helping them to retrain or find new jobs. The cases relate to various forms of restructuring whether they involved, for example, job losses, an internal reorganisation, a plant closure, or a relocation from one site to another.

Most of the cases covered are recorded in the **European Restructuring Monitor (ERM)**, maintained by the **European Foundation for the Improvement of Living and Working Conditions (Eurofound)**, although the details contained in the ERM have been supplemented by information from a range of other sources, including the companies themselves and trade unions.

The cases cover the different phases of the restructuring process, including:

- the advance warning given to workers and to the various public authorities, and how this relates to the legislation or regulations in place and to any collective agreement in force;
- help and support given to workers who were about to lose their jobs, including options for redeployment and retraining;
- financial compensation paid to workers made redundant and how it relates to the amounts they were legally entitled to receive;
- financial support provided to companies to assist them in reducing the scale or minimise the effects of restructuring on workers and the local community;
- action taken by public authorities at local, regional and national level to create new jobs by attracting companies to the area or implementing a regional or local development strategy;
- outcomes – for the company, workers and local economy – of the actions taken.

Most restructuring cases involve businesses – public and private – changing their organisational arrangements and operational procedures in order to improve or maintain their financial viability usually at times of financial or market difficulty or when there is a change of ownership or a merger.

In cases where companies are in financial difficulty and little or no support is available from government, there are clearly limits to the possibilities for them to minimise the effects of job losses on their workforce as well as on the local economy. However, this does not mean that companies do not in many cases make significant efforts to do so.

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In the initial phase of the restructuring process, as soon as a reorganisation potentially involving job losses is contemplated, the most important factor seems to be the degree of cooperation and transparency in the relations between the company management, employee representatives, trade unions and public authorities. Advanced warning and provision of information is important for seeking alternative measures and planning for redundancies, but consultation is the key to facilitating the provision of efforts to minimise the effects of job losses on the workforce and the local economy. In the best case examples, cooperative consultation is built into the company's operating procedures and occurs on an ongoing basis even when restructuring is not an issue.

The amount of support provided to workers varies from case to case. In the best cases, a wide range of measures ensure internal and external redeployment of the workers affected through retraining and relocation, where necessary, and where comprehensive support is combined with high levels of cooperation and transfer of information between the company, employee representatives and public authorities.

For a company to be able to pay workers an amount of compensation above that legally required, it obviously needs to be in a suitable financial position to be able to do so. The company cases presented in this study include a range of different forms of compensation for workers affected by restructuring, the most effective seemingly being those that encourage voluntary redundancy.

Other less common practices include compensation for workers taking up less well-paid jobs, the provision of social funds to provide support for workers who become unemployed and payment of loyalty bonuses.

State-owned companies have tended to receive specific financial support, although generally of a temporary nature pending restructuring. Financial support for private sector companies, although less frequent, has however helped to finance retraining and even, in some cases, assisted them to fund severance payments to prevent bankruptcy. This form of support is particularly relevant in the present downturn, and in recent months a number of crisis packages have been put together for companies affected by the global economic crisis.

Two case studies include job creation measures, introduced in response to specific instances of restructuring. These are equally relevant in present economic circumstances. One of the two cases has already produced favourable results, while the other has not as yet had sufficient time to see any specific outcomes. In a number of other cases, however, there has been extensive cooperation with public authorities responsible for local, regional and national development strategy.

## **Reasons for restructuring**

Restructuring can occur for a variety of reasons and the case studies covered here involved a number of different underlying causes. The main reason, however, was a need to adapt to changing market conditions in order to maintain or re-establish profitability. In a few cases, restructuring was partly a response to government intervention, in the form both of privatisation of activities previously carried out by public organisations and of regulatory changes.

In practice, the case studies demonstrate that there is rarely a single causative factor behind restructuring, but rather a series of events that affect the market opportunities for companies and, hence, their competitiveness. They demonstrate, in addition, however, that the different underlying factors are often associated with different approaches to the various stages of the restructuring process.

The reasons companies restructure often determine the measures they use to implement the process. Companies suffering severe financial difficulties are less likely to provide additional support to workers over and above that required by law, with severance packages offered to employees kept to a minimum. However, they may use other means of reducing the negative effects of restructuring, such as advance warning and consultation, or other forms of support for workers that do not require additional financial compensation.

State-owned companies tend to be an exception, however, in that they commonly provide support well above the legal minimum, partly because of political sensitivities regarding mass redundancies, as well as the risk of industrial action. On the other hand, companies that are not experiencing

financial difficulties, but simply restructure as a pre-emptive measure to increase competitiveness, are also more likely to provide additional financial support above the legal minimum, in part to protect the company's public reputation.

## Government intervention

In the case of privatisations, restructuring is generally intended to make the businesses concerned profitable not only in the short run but also in the long run, so as to attract potential bidders.

Companies owned and run by the government are often monopolies or benefit from some form of barrier to entry. When the government opens up a previously state-owned monopoly market, the company must be able to compete with future potential entrants and be profitable. Since state-owned companies are often over-staffed prior to privatisation, the latter can lead to significant redundancies.

Restructuring resulting from privatisation is addressed in six case studies – those in Bulgaria, Greece, Cyprus, Malta, Romania and Slovakia – although in only two of the cases were the companies concerned previously categorised as state monopolies. One of these cases concerned a state-owned electricity company in Bulgaria where employment was reduced from 4,700 to 3,650 workers over two years in order to make the business more attractive to potential buyers. The other case involved a state rail services provider in Slovakia, in which the company's workforce was reduced from 22,750 to less than 18,000 workers. The other four cases associated with privatisation – the state airlines in Greece and Cyprus, a state-owned shipyard in Malta and a state automobile manufacturer in Romania – all involved substantial redundancies.

Equally, the nationalisation of a private bank in the United Kingdom (UK) in the current financial crisis led to a reduction in the workforce from 6,500 to 5,200 workers.

Changes in EU regulations have also led to restructuring. For instance, in the Danish case study, the revision of the sugar price regime gave the company concerned operating in Lithuania an opportunity to sell part of its quota to a national company, resulting in 120 jobs being lost.

## Advance warning and consultation

The initial, advance warning, stage of the restructuring process is fundamental to a successful outcome, as it involves a number of different procedures for consulting employees and public authorities. In the great majority of cases, companies follow legal requirements, which require employee representatives and public authorities to be informed in advance of **dismissals** – normally 30 days but in some cases 60 days or more prior notice.

Legislation typically requires certain information to be provided, such as the size and timing of the proposed redundancies, the new organisation structure, the criteria for selecting those to be made redundant and the various measures to be taken to limit the negative effects on employees. This enables employee representatives to inform workers, to prepare for redundancies and to seek measures for reducing the effect on dismissed employees. It also allows public authorities to assess the case, to intervene where necessary and to take appropriate measures to reduce the effect of redundancies. In some of the most exemplary examples, trade unions or employee representatives were closely involved in developing a restructuring plan during the consultation process, which among the favourable effects is likely to increase transparency.

In the abovementioned Romanian car manufacturer case, trade unions took part in the initial acquisition negotiations and were later involved in developing the restructuring plan, which was carried out in 20 stages. In this case, the new French owner respected the EU body of legislation – '**acquis communautaire**' – even though this was not applicable in Romania at the time.

In the Dutch automobile case, before restructuring took place, the company asked the works council for advice on the decision to restructure the company and the effects on employees. Consultation with the works council, trade unions and public authorities lasted 14 months and was focused mainly on how to reduce the negative consequences for employees, including the development of an extensive social plan and major efforts to find alternative jobs for employees.

In the Sweden car case, the company discussed restructuring measures with the trade union and public authorities at length, with discussions focused on how to minimise the effects on workers, which

production sites would be affected and future prospects. However, the company retained full responsibility for making the final decision.

A number of the company cases illustrate circumstances where consultation with employee representatives and trade unions is a permanent process stemming from ongoing consultation between management and workers. Four cases highlight the benefits of such 'embedded' cooperative relationships. The first example is the Dutch case where the company informs the works council twice a year about all important decisions foreseen in the coming period as well as how it is intended to involve the works council in these decisions. The second involves the Irish insurance industry study, in which the existing close relationship between management and trade unions enabled the company to inform trade union representatives of the intention to restructure its operations nine months before an official announcement was made. This allowed three to four months of consultation and bargaining to take place before the event.

A third example is the Italian case study where the Swedish company concerned had an ongoing consultation process in place, involving annual meetings at which the company's financial and productive situation, investments and employment levels were presented, and where specific discussions took place regarding restructuring issues. In this case, over 20 meetings took place over a four-month period to discuss proposals. While the plant was ultimately closed, another company was found that was willing to take its place and rehire some of the company's workforce.

The fourth example involves the German automobile case where consultation led to an agreement between the works council and the company management before the official restructuring consultation began, which avoided the need to follow the legislation on collective redundancies. In this case, some 1,350 employees opted for early retirement or voluntary redundancy.

Consultation with public bodies is important, not only because it allows the employment services to prepare for redundancies, but it enables them to intervene when it is considered necessary. In the Slovenian case study, the involvement of the local employment office allowed the business to continue and prevented redundancies for two years, even though the plant had ultimately to be shut down for environmental reasons.

Not all redundancies take place in such open circumstances, however. The authors of the Lithuanian case study state that it is commonplace for companies to avoid their legal obligations by dismissing small numbers of employees in several waves – a practice that is not unknown in other countries.

Mergers and acquisitions add complexity to the restructuring process since consultations are likely to have to cover a number of additional issues, as in the Spanish banking case or in the Norwegian case, where the various trade unions concerned set up a joint body in order to coordinate efforts.

The use of mediators can sometimes be beneficial when negotiations become deadlocked. Two cases illustrate this – the Maltese case where the government attempted to unilaterally privatise a state-owned company under threat of closure, and the Cyprus case where the Ministry of Employment acted as a mediator. In both cases, the restructuring process entailed insufficient consultation.

## **Support to workers**

Decisions about the support to be given to employees can reflect whether the company acts unilaterally or proceeds through consultation. In some cases, no support was provided directly by the company, while in others extensive measures were taken in cooperation with all participating parties, including the authorities and employee representatives. The provision of support is particularly dependent on the situation in which restructuring takes place. For example, in the Czech case study, no direct support from the company was necessary as the complex in which it was located was purchased by a new investor.

Since a major aim of support is to avoid people becoming unemployed and to help prepare them for alternative employment, the initial focus is generally on practical matters – such as their legal rights, where to look for a job, the possibility of self employment, how to write a curriculum vitae (CV) and prepare for interviews. This may also include information on voluntary redundancy and early retirement benefits if available.

When there is the option, companies might circulate information on vacant positions within the organisation and encourage employees to apply. Good practice in this regard is to give preference to those made redundant even if they need to be retrained or relocated. In the Bulgarian case study, information was provided to employees on vacant positions within the company together with advice from human resource experts as well as retraining and relocation if required.

In situations where entire departments are outsourced to other firms or other parts of a company, redundant employees can be encouraged to apply for jobs with the new supplier. In the Slovakian case, four regional advice centres were established to provide information on vacant jobs.

Outplacements might also be possible in certain instances, as in the Austrian and Irish cases, where internal training programmes and an in-house job placement centre were set up for employees.

In several cases – in Luxembourg and Belgium, in particular – employers went beyond just providing outplacement services and contacted other companies to find jobs for those who were to be made redundant. In the Finnish case, the company took a step further in terms of contacting other employers by setting up a ‘from job-to-job’ programme for some 672 employees using an outside agency.

Cooperation between companies and public authorities is almost always beneficial. In the Swedish case, the company worked closely with the public employment services to provide support and guidance for those made redundant and contracted an outplacement foundation to provide support measures through a local office.

Most companies presented in the case studies used a combination of different measures to provide support to employees. In the Romanian case, workers made redundant received support to find new jobs from various agencies as well as from the company itself. This resulted in the re-employment of over 2,100 workers, the creation of more than 250 enterprises and assistance to some 4,700 people who retired or moved elsewhere.

In the Estonian case, the company participated in a [European Social Fund](#) (ESF) project implemented by the trade union confederation, which provided a full range of support measures and which was judged to have contributed significantly to finding the workers concerned new jobs.

In the Italian case, the Swedish company went as far as to commission a specialist company to find new industrial uses for the production site and to attract new companies, so long as they agreed to maintain employment levels for at least three years and to respect existing collective agreements and pay scales. As a result, the company that purchased the site on advantageous terms re-employed 370 of the 430 workers who lost their jobs.

## **Financial compensation to workers**

Financial compensation provides income support for those made redundant and can also encourage voluntary redundancy. The great majority of companies covered in the case studies paid more than they were legally required to pay.

In the more generous cases, as in the Austrian case, employees received severance payments as agreed in a social plan concluded between the company management and the works council, with extra payments depending on the circumstances of each person. In the Greek case, income support was provided for up to one year in addition to a lump-sum payment.

Voluntary redundancy schemes can be generous – in the German case, the company offered voluntary redundancy payments of €20,000, which led to 1,350 people voluntarily leaving their jobs and avoided the 1,200 redundancies originally announced. In the Bulgarian case, the payments were several times greater than those required by law. In the Czech case, where the company was offering less generous compensation, employees who handed in their notice before a specific deadline were given an additional bonus equal to two months’ pay on top of the standard severance payment.

Early retirement schemes are similar in the sense that they give employees an incentive to leave the company voluntarily. In general, however, the age group concerned tends to be on the highest salaries, so that such schemes can be costly, although they also enable a given reduction in labour costs to be achieved with fewer redundancies. In the Norwegian case, employees who chose to take early retirement received 70% of their wages from the company up until the age of 67 years, without

affecting their future pension entitlement. Accordingly, 85% of those eligible for the scheme accepted.

In some cases, workers were also compensated for taking up less well paid jobs. In the Luxembourg case, this was supported by a public job retention scheme, since the policy aim was to keep employees affected by restructuring in employment rather than provide financial compensation for those becoming unemployed.

Hardship or social funds may also be used to address problems encountered by those who become unemployed. In the Austrian case, for example, the fund was fully financed by the company, and in the Lithuanian case, the Danish company provided financial support to workers as needed for a period of up to three years.

Most of the cases involving state companies entailed the payment of significant financial compensation to workers, no doubt reflecting the size and political sensitivity of the cases concerned, as well as the fact that the alternative of continuing to subsidise loss-making companies was also costly. In Norway, the financial compensation paid was so generous that payments were termed ‘gold packages’, while in the Maltese case, the payments were non-taxable.

## **Financial support to companies**

Financial support was not commonly given to the companies covered in the case studies. In cases where it was, it was rarely given for the purpose of preventing redundancies or mitigating their adverse effects. However, most of the publicly-owned companies – four from new Member States (NMS), plus Greece – received financial support, on the grounds that this was necessary to keep them afloat until they could be privatised and restructured.

Only in one case, in Romania, did the government grant financial support to the company specifically to ease the problems associated with job losses from restructuring. In the case of nationalisation in the UK, considerable funding was provided, but essentially in order to prop up the bank rather than to prevent redundancies.

Financial support for companies was less frequently granted to private firms undergoing restructuring, although it was given in some cases. In the Estonian case, financial support was provided from the unemployment insurance fund for the payment of redundancy compensation to workers. Financial support was also given to aid the provision of retraining in several cases. In the Luxembourg case, the company received support for organising training courses for workers appointed to new positions within the company as part of the ‘job retention’ plan.

A more unusual case was in Slovenia where the company was granted a two-year period of grace from paying environmental tax, which extended the operating life of the plant concerned.

## **Job creation measures**

The case studies provide few examples of new job creation initiatives – such as supporting business start-ups and developing enterprise support networks for new companies – on the part of public authorities. This may in some degree reflect the buoyancy of the labour market prior to the onset of the present economic downturn. In two of the most recent large scale redundancies, however, specific initiatives were taken to create jobs.

In the Swedish automobile case, the government appointed two regional officials to coordinate measures to combat unemployment following the restructuring of the company. At the same time, it announced an additional crisis package for the industry, while the public employment services began working with all of the regional agencies to address the situation in the local area.

Similarly, in the UK, specific efforts to create employment were launched in the worst affected region in response to the restructuring, with the regional development authority working alongside the task force established in the wake of the announcement of the job losses involving various local public authorities and employers groups.

In the Dutch case, a number of groups, including public authorities, commercial employment agencies, outplacement offices and other employers in the region, worked together to respond to redundancies, although at the time, job shortages were not a major problem. Similarly, in the

Romanian case, efforts to help those made redundant to find alternative employment received support from a wide range of local and regional bodies.

## **List of company case studies**

Belgium: Ford and Gruppo Cordenons

Bulgaria: CEZ Bulgaria AD

Czech Republic: LG.Philips Displays Holding B.V., Multidisplay and CTP Invest

Denmark: L.M. Glasfiber

Germany: Ford

Estonia: Pärnu Linavabrik

Ireland: AXA Insurance

Greece: Olympic Airways

Spain: KBC, Banco Urquijo S.A. and Banco Sabadell S.A.

Italy: Electrolux

Cyprus: Cyprus Airways

Latvia: SIA Triāls and Askembla Growth Fund Kommanditbolag

Lithuania: Danisco Sugar Kedainiai

Luxembourg: Wiltz

Malta: Malta Shipyards Ltd

The Netherlands: DaimlerChrysler

Austria: Hirschmann Automotive

Poland: Krosno S.A. Glassworks

Portugal: Lear

Romania: Automobile Dacia and Renault

Slovenia: Vipap Videm Krško

Slovakia: Železnice Slovenskej republiky

Finland: UPM

Sweden: Volvo Cars

UK: Northern Rock

Norway: StatoilHydro ASA



## Individual case studies

### Belgium: Ford and Gruppo Cordenons

The United States (US) car manufacturer [Ford](#) (NACE 34.10 – NACE refers to the general industrial classification of economic activities within the European Communities (*Nomenclature générale des activités économiques dans les Communautés européennes*)) completed an important internal restructuring process in 2003–2004 at its plant in Genk in the Flanders region of northern Belgium. The restructuring was announced in October 2003, affecting 3,000 workers out of a total workforce of 8,300 workers. Negotiations with the trade unions on a social plan were completed in December 2003, and redundancies became effective between December 2003 and March 2004. This decision resulted from a planned reduction in the company's worldwide workforce of 23,000 workers due to low sales.

A second case study concerns the Italian paper manufacturer [Gruppo Cordenons](#) (NACE 21.00) which, following financial difficulties, decided to close its Belgian site in Malmedy in the Wallonia region of southern Belgium and concentrate production at its two Italian sites. The aim was to dismiss around 190 workers – including 40 temporary workers whose contracts had ended and 151 workers covered by a collective redundancy procedure – by the end of 2008 because of the worldwide crisis in the paper industry. However, in September 2008, the company management agreed to look for potential buyers for the business in order to avoid any redundancies.

#### *Advance warning and consultation*

In Belgium, a collective agreement is in place that states that any collective redundancies in companies with more than 20 employees must be discussed with the works council before those redundancies can take place, and in order that employees are informed before any decisions are made. The works council is allowed to offer advice, suggestions and objections, which an employer must consider. The employer must then provide an answer to the works council, although it is not obliged to follow any suggestions made.

Under Belgian law – the 'Renault Law' – individual employment contracts remain valid if the employer fails to respect its obligation in terms of [information and consultation](#) procedures, and workers are entitled to receive their normal wage until the issues are resolved. Hence, it is not possible for a company to launch a restructuring process without informing the employee's delegates, even though, in many cases, the management will have already made their decisions, and trade unions and employees are unlikely to be able to change them.

In the case of the paper manufacturer [Cordenons](#), the management announced the possible closure of the Malmedy plant in August 2008, at which point the 'Renault procedure' came into operation. Discussions were opened between the employees' delegation and the management with the aim of informing employees, searching for other solutions, and negotiating social plans. During September 2008, employee delegates and the company management attempted to find a new investor in order to save the plant and associated jobs. In December, their efforts were successful and a buyer was found.

#### *Support to workers*

In the case of Ford Genk, a 'reconversion cell' was established in order to help workers who were due to lose their jobs to find new positions through training and other assistance. The 'cell' was established and financed by the company and operated in collaboration with [Ascento](#), a private company specialised in human resources (HR) solutions, and the [Flemish Public Employment Service](#).

Support was offered on a voluntary basis to all those who were due to be made redundant. After two years, in February 2006, Ascento announced that over 80% of registered workers – a total of 1,215 workers – had found alternative employment, become self-employed, taken early retirement or had entered long-term training.

In the Gruppo Cordenons case, the employer, in collaboration with the trade unions, found a buyer three months after the announcement of the prospective closure. The buyer decided not to create redundancies and, in 2004, the public authorities provided financial incentives to fund a reconversion

cell following restructuring. Under this arrangement, a worker who registers with the reconversion cell and finds a new job benefits from reductions in social security charges, and any employer who employs redundant workers also benefits from tax reductions. Since 2005, following the introduction of the law on 'generation pacts', employers have been obliged to create such units.

### *Financial compensation paid to workers*

According to the collective agreement in operation, an employer must pay compensation to all workers affected by collective redundancy, although this does not apply to workers on a fixed-term or temporary agency employment contract. The amount of compensation amounts to half the difference between the previous wage and the unemployment benefit income, and is paid for four months. However, it only applies if a sector-level collective agreement is in place concerning compensation with regard to collective redundancy.

Redundant workers are also entitled to additional bonuses in any associated social plans. In the Ford Genk case, about 2,500 workers accepted to leave the company on a voluntary basis. These workers were granted a bonus of €4,000 in addition to the normal redundancy bonus which is 17.5% higher than the legal minimum. Early retirement pensions were also granted to 1,150 workers aged 50 years or more and, under certain conditions, workers aged between 48 and 50 years were able to retire two years later, having had a reduction in working time of one hour a week during that period.

### *Financial support to companies*

No financial support was specified for either company.

### *Job creation measures*

No job creation measures were specified with respect to either company.

### *Outcome*

The restructuring at the Ford Genk plant had serious negative consequences for the local economy because of the large number of subcontractors who have been dependent on production at the site. In the case of Cordenons, the efforts of the management and the employees in helping to find new investors and save the site also benefited local subcontractors.

## **Bulgaria: CEZ Bulgaria AD**

At the end of 2004, the Bulgarian state-owned electricity distribution and transmission companies, covering the whole of Bulgaria, were privatised as three partly or wholly foreign-owned companies – [EVN](#), [E.ON](#) and [CEZ Bulgaria AD](#) – in a drive to improve efficiency and profitability.

This case study covers the restructuring of CEZ Bulgaria AD in which equity ownership is now 67% Czech and 33% Bulgarian. The company covers parts of the Yugozapaden region in southwestern Bulgaria, including the Sofia District and the city of Sofia, as well as the town of Pleven in the northwest region of Severozapaden. Redundancies were first announced in October 2006, but the restructuring process is still ongoing. Before restructuring began, the company had 4,700 employees. By 2009, this number had fallen to 3,650 employees.

### *Advance warning and consultation*

According to the Labour Code in Bulgaria, employers must inform worker representatives and trade unions at least 45 days before any organisational changes take place, and they must also inform the appropriate governmental institutions, such as the employment agency, within three days of the trade unions being informed, and at least 30 days before any redundancies take place.

The information presented to trade unions and the employment agency must include the reasons for the restructuring, a description of the proposed new organisation, the criteria for the selection of employees to be made redundant, the timing of the redundancies and the measures the employer intends to take in order to limit the negative impact on redundant employees. Such measures could

include the relocation of workers to vacant positions within the company group, outsourcing to external service providers, and training and redundancy payments.

Organisational changes need to be carefully planned and approved by the managing bodies of the companies. Trade union representatives can express their views, and some amendments may result from these consultations, but the employer retains the right to implement those changes that they wish to make.

The process of restructuring and the related information and consultation of employees has to proceed in accordance with the Labour Code and the Collective Labour Agreement (CLA). Under the latter, the company must, at the beginning of the year, inform its trade unions about any organisational changes planned throughout the current year. The role of trade unions in this process is to inform the employees concerned and ensure that their legal rights are protected. In addition, consultations have to be held with the employment agency.

In this case, the company has, since privatisation, organised a number of ‘road shows’ to inform employees of proposed changes, including presentations on the new organisational structures, how these will affect the employees, what the effects will be on the workforce, and what measures will be taken to minimize the effects of any redundancies.

### *Support to workers*

Prior to any redundancies, all vacant positions within the group were posted on information boards and on the company’s intranet site, and all employees whose workplaces were to be downsized were invited to apply. Recruitment and selection then followed the normal procedure with approved candidates being offered a suitable position within the group.

If training was required for a new job, the company provided it. Additionally, a relocation programme was put in place to provide financial support for 12 months in cases where an employee relocated to another town. In the case of redundancies related to outsourcing, all redundant workers were invited to apply for a job with the new supplier.

Employees who are made redundant could also choose from a range of training courses aimed at upgrading their qualifications and helping them to find a new job, with BGN 100 (€51 as at 27 April 2009) allocated to each redundant employee for training. This training includes computer literacy programmes, language training and technical skills. Support was provided by the company’s HR personnel concerning the preparation of a CV, how and where to look for a job and how to present oneself at interview. Such ‘job mediation’ is a licensed service according to Bulgarian legislation, so the company was able to act as a recruitment agency, although contacts were limited to the company’s service providers, and to a number of partners in the Czech Republic.

The [National Employment Agency](#) was actively involved in assisting employees who were made redundant and who registered with the agency. In this respect, it should be noted that, in Bulgaria, it is entirely at the company’s discretion whether it provides support for workers who are made redundant. Moreover, support of the kind described above is uncommon.

### *Financial compensation paid to workers*

Employees received a single redundancy payment if they remained unemployed one month after they were made redundant, with the size of the payment – amounting to between two and five times the gross monthly salary – depending on the length of service with the company.

In addition, a ‘severance programme’ was provided in support of redundant employees who accepted voluntary redundancy. The size of the payment depended on the length of service with the company, paid as a lump sum – four to 18 times the gross wage initially, but reduced to four to 14 times the gross wage in 2006. Normally, a company only offers severance payments in line with the legal minimum set out in the Labour Code (one gross wage) or at best as per the CLA – for example, in the energy sector, payment will amount to two to five times the gross wage.

Training, up to a value of BGN 100 (€51), was offered to any redundant employees who sought it.

Bulgarian legislation does not provide for early retirement, but redundant employees may register with the National Social Security Institute ([Националния осигурителен институт, NSSI](#)) and

receive social support for four to 12 months, depending on their previous work history. Neither the public authorities nor the trade unions provide finance for redundancy payments, but the employment agency has a budget for financial support for those who become unemployed, for the provision of training and for outplacements.

### *Financial support to companies*

No financial support was offered to the company. This is normal practice for public authorities.

### *Job creation measures*

In this case, no compensating job creation measures were introduced by public authorities at the local, regional or national level.

### *Outcome*

The loss of jobs as a result of the privatisation of the company was widely discussed in the media, and the outcome was generally seen as adversely affecting the company's image. However, the measures taken to reduce redundancies by offering other jobs within the company, and the size of the redundancy payments, were welcomed by both employees and the public at large.

No information has been published by the public authorities concerning the impact on employees or the local economy, although it is recognised that, in small towns with high levels of unemployment, such a restructuring measure would have a major impact given the importance of the company as an employer. Information obtained from the company suggests that the majority of the redundant employees found jobs elsewhere, and that those who did not were mainly older people close to retirement age.

## **Czech Republic: LG.Philips Displays Holding B.V., Multidisplay and CTP Invest**

In January 2006, the Dutch company [LG.Philips Displays Holding B.V.](#) became bankrupt, creating problems for its subsidiaries, including [LG.Philips Displays](#), located in the Moravian-Silesian Region in the east of the Czech Republic, which produced television and radio receivers and sound or video recording equipment.

The parent company's bankruptcy meant that the local company's funds were seized and its assets pledged against the parent company's loans. However, the Czech-based company was a viable business with orders in its books for a year or two ahead, and in the month following the parent company's bankruptcy it resumed manufacturing.

LG.Philips Displays, later renamed [Multidisplay](#), was nevertheless obliged to seek a new investor, and in February 2007 the plant was sold to a Dutch-owned company, [CTP Invest](#), who purchased the entire industrial Hranice complex in northeastern Moravia where the company was located. The company was then restructured, and its production switched to liquid crystal display (LCD) monitors, away from cathode ray tube (CRT) monitors for which demand was falling. Production was relaunched in November 2007 but while the company had previously employed 1,300 workers, the restructured company now only employed 480 workers.

### *Advance warning and consultation*

In the period following the bankruptcy of the parent company, production was stopped for only four days and no dismissals occurred at that time. The company had orders for one to two years, so it resumed manufacturing even without the support of its parent company.

Major changes in production and employment did not occur until the Czech subsidiary was taken over by the new investor at the beginning of 2007. The new employer announced mass dismissals in August 2007 and informed the trade unions and the Labour Office in Přerov in north Moravia. By law, employers are obliged to notify employees of dismissals on the same day as they report to the labour office, and the employment relationship can only be terminated after 30 days have then elapsed. This is in accordance with Article 62 of Act No. 262/2006 Coll., namely the Labour Code.

Subsequent actions were agreed as a result of consultations between the company management and the Czech Metalworkers' Federation KOVO ([Odborový svaz KOVO](#), [OS KOVO](#)), and following information meetings for employees that began in September 2007, at which the employer provided information about the company's situation and its plans for the future.

### *Support to workers*

In April 2007, the company decided not to renew work contracts for about 150 to 200 employees on fixed-term employment contracts, and approximately a further 100 employees left the company voluntarily. In August 2007, the company announced that it would lay off around 570 employees or roughly two thirds of the existing workforce – this corresponded to 'mass dismissals' according to the Labour Code.

Many of these employees were, however, absorbed by other companies in the Hranice industrial complex of which the production facility was a part, with the whole complex being owned by CTP Invest. Employees also received information about other vacancies and every employee had an interview with a recruitment agency, which provided them with information about relevant job vacancies.

### *Financial compensation paid to workers*

Production was suspended on several occasions in 2007: from 20 March to 2 April when employees took leave or stayed at home, receiving 70% of average earnings; from 23 May to 30 June, and from 1 to 30 September, when employees received 60% of average earnings.

Employees who handed in their notice during September 2007 received a bonus of two months' pay, which was over and above the requirement of Act No. 262/2006 Coll. of the Labour Code. This payment had become relatively common in similar situations where the company's financial situation allowed. Employees who were dismissed under the mass dismissals procedure received severance pay as laid out in Act No. 262/2006 Coll. of the Labour Code, even if they took up a new job immediately after their employment with Multidisplay was terminated.

### *Financial support to companies*

After the parent company went bankrupt, the state considered providing aid to LG.Philips Displays, mainly in order to preserve jobs in the region. The Ministry of Industry and Trade of the Czech Republic ([Ministerstvo průmyslu a obchodu České republiky](#), [MPO ČR](#)) originally intended to provide the company with a loan of CZK 300 million (€11.2 million) from the [Czech Export Bank](#), or to provide financial assistance through the state-controlled company [Osinek](#) in order to enable the company to purchase material, collect payments from customers and meet production costs.

This support was not provided in the end for two reasons. First, the company's situation stabilised. Secondly, a competitor company [TCT](#) of the [Ecimex](#) group, which also made CRT monitors, and was also in financial difficulties due to falling sales, filed a complaint to the anti-monopoly authority.

Although financial support was not provided at the time the parent company went bankrupt, the state government agency [CzechInvest](#) did provide help in the search for a strategic investor.

### *Job creation measures*

After the parent company went bankrupt and the company was taken over, fixed-term contracts were not renewed, and some employees left of their own accord, but on advantageous terms. Later there were mass layoffs, but the labour office did not envisage a major impact on employment in the region, as it was expected that the dismissed employees would find work in other companies in the Hranice complex. These expectations proved correct. The Přerov Labour Office kept up to date on the situation in the company, and provided dismissed employees with information and support.

## *Outcome*

Although the restructuring of the company's production programme went ahead successfully at the time, by the end of 2008 the new company Multidisplay found itself in serious difficulties once again, mainly as a result of the global financial crisis. The number of employees has fallen to 200, with the prospects of further restructuring possible as the company looks for new orders and a possible new strategic partner.

## **Denmark: L.M. Glasfiber**

In January 2009, [L.M. Glasfiber](#), a Danish wind turbine blade producer located in the Vejle region in the southeast of the Jutland peninsula, announced a restructuring plan involving a reduction in its workforce from 2,200 to 1,750 employees by the end of March. The restructuring plan came about in response to the financial crisis and the recession which was particularly affecting the sector that the company supplies.

## *Advance warning and consultation*

The law on 'advance notice of collective redundancies' applies to redundancies exceeding a certain number within a period of 30 days. In such cases, employers have to notify the appropriate public authorities – such as the Regional Employment Council – as well as their workforce. An obligatory period of negotiation then follows between employers and workforce representatives aimed at reducing the number of redundancies. If, after the negotiations, the company still decides to carry out redundancies, the authorities have to be informed of this decision and, within 10 days, the employer must forward the names of those who it intends to dismiss to the authorities as well as to the employees themselves.

In this particular case, in line with a collective agreement in the industry, two weeks of consultations took place involving management, worker representatives and trade union advisers. The negotiations covered issues such as the criteria for dismissal, bonuses, continuing vocational training and garden leave – the latter usually refers to the practice whereby an employee who is leaving a job (following resignation or termination of employment) is instructed to stay away from work during their notice period, while still remaining on the payroll.

Following these discussions, letters were sent by the company to those employees who were to be dismissed but, in accordance with the law and the collective agreement, the restructuring plans were discussed in the Cooperation Committee (*Samarbejdsudvalg*) – a parity body – before the actual announcement and information meeting. As a result, the criteria for dismissals were changed, and some 30 jobs were saved.

This can be considered as a typical case in most respects. The willingness of the parties concerned to compromise might vary between cases, but the law and collective agreement have to be respected. There is no evidence to suggest that companies have become any less willing to compromise over the past few years than previously.

## *Support to workers*

Help in finding other jobs was provided to redundant employees, who were also offered training and job-seeking courses while serving out their period of notice. In particular, the company arranged a 'job fair' where redundant workers could meet representatives from other companies, staff from the local 'job centre' connected to the Regional Employment Council, experts from pension funds and representatives of the unemployment fund. Job fairs have been successful in the past but in this case no employers were represented as none of those in the region had jobs to offer. Nevertheless, the trade union representative considered that much useful advice and guidance were provided on the options open to the workers concerned.

In best practice cases, the employer contacts the trade union and the job centre long before the restructuring is announced. In such cases, the job centre normally plays an important role because it can coordinate the collective retraining of employees made redundant across the region and provide up to eight weeks of paid retraining. This, however, did not happen in the case of L.M. Glasfiber,

despite the local trade union and the joint shop steward in the company being closely involved with management in the negotiations over the redundancies and the follow-up support for those affected. The trade union expressed regret that all of the training centres in the region were overbooked, making it difficult for employees to obtain new skills or qualifications.

### *Financial compensation paid to workers*

Statutory financial help is only given for the purposes of training and the acquisition of qualifications. In this case, the employer offered redundant workers an opportunity to participate in training courses of their own choice with full pay while serving out their notice. After this period has elapsed, workers who become unemployed are then reliant on unemployment benefits and/or retraining paid for by job centres.

### *Financial support to companies*

If employees, in agreement with their employer, take up training with full pay during the period of notice, as in this case, the state pays compensation in the form of a wage subsidy to the employer equivalent to the value of the unemployment benefits. This is also typically given to employers in cases where they allow employees time off to look for a new job or to participate in training courses, while continuing to receive full pay.

### *Job creation measures*

The National Labour Market Authority ([Arbejdsmarkedsstyrelsen](#), [AMS](#)) issues 'Guidelines for a supportive efforts plan' concerning 'initiatives to secure a quick and active effort in connection with collective redundancies of major importance for a local area'. The guidelines are administered by the relevant regional employment council and the local job centres. They provide the framework for the support that the local job centre provides for individual job seekers.

### *Outcome*

The negotiations in this case can be regarded as partly successful in that some 30 jobs were saved and the employees were able to obtain retraining with full pay. On the other hand, only a few of the workers who were made redundant have so far found a new job.

## **Germany: Ford**

In November 2005, the automobile manufacturer [Ford](#), with European headquarters in Cologne in the state of North Rhine-Westphalia in western Germany, announced 2,600 job cuts in Europe, with about half of the jobs to be lost in Germany. The company later announced plans to cut 1,200 jobs at its sites in Cologne and Saarlouis in the state of Saarland in southwest Germany, where 19,000 and 6,500 workers, respectively, were then employed.

However, in a subsequent joint initiative, Ford's works council and the company's management set up an 'alliance for jobs' as a result of which the social partners signed a collective agreement in March 2006 ruling out any redundancies until 2011.

### *Advance warning and consultation*

Under the German Employment Protection Act (*Kündigungsschutzgesetz*, [KschG \(30Kb PDF\)](#)), whether dismissals constitute a collective redundancy depends on company size. The first case concerns a business unit that usually employs 21 to 59 employees, where five or more employees are made redundant within a 30-day period; the second relates to a business unit that usually employs 60 to 499 employees, where at least 10% of or more than 25 employees are made redundant within a 30-day period; the third concerns a business unit that usually employs at least 500 employees where at least 30 employees are made redundant within a 30-day period.

In all cases, employers are obliged to notify the local labour office of the planned collective redundancies 30 calendar days before dismissing any employees. A report to the local labour office must include a copy of the notification of the planned redundancies to the works council, which must be informed of the employers' intentions in writing and in good time.

In the case of Ford, the company announced, in November 2005, plans to cut 1,200 jobs at its sites in Cologne and Saarlouis. However, in March 2006, the German daily business newspaper *Handelsblatt* reported that the production of three car model ranges was to continue at the German sites and, at around the same time, the Ford works council reached an agreement with Ford management ruling out redundancies until 2011.

There were still job losses, nevertheless. By December 2005, before the ‘no redundancy agreement’ was made, about 1,350 employees had left the company, either by taking early retirement or by accepting compensation payments for voluntary redundancy. Thus, it was possible for the company to avoid dismissals and also to avoid entering into the typical redundancy procedure stipulated by the KschG.

### *Support to workers*

In return for the employment guarantee given by the management, the works councils agreed to a cost-cutting compensation package that was expected to save the company €166 million. This cost-cutting programme consists of various elements.

First, wage increases under future collective agreements were to be adjusted. In 2006, wages at Ford were 10% above those stipulated by the collective agreement for the metalworking industry, and this gap was to be reduced to 6.5% by 2011.

Secondly, new employees and apprentices who have finished their training would be paid according to the current collective standards in the metalworking industry. Also, the weekly working hours of the 2,300 or so white-collar employees currently not covered by collective standards (*außertarifliche Angestellte*) would rise from 38.5 to 40 hours a week, but with equivalent financial compensation. Moreover, overtime working would be incorporated into working time arrangements that allowed for the banking of hours or working time accounts.

Thirdly, the new working time arrangements would enable employees to retire before the statutory retirement age without incurring financial loss. Prior to this agreement, early retirement involved a considerable reduction in the level of monthly pension payments.

Fourthly, the Ford management announced that 150 apprentices would receive a job offer once they had completed their training.

German commentators see the Ford agreement as a success compared with the harsh restructuring measures taken by other automobile manufacturers in Germany at the time, with Ford avoiding closing down any manufacturing sites or pushing through any major employment layoffs.

### *Financial compensation paid to workers*

Ford offered compensation payments to employees who decided to leave the company on a voluntary basis. In November 2005, the Cologne newspaper *Kölner Stadtanzeiger* reported that the company had offered compensation payments of €20,000 to any employee willing to leave the company voluntarily by the end of 2005. In January 2006, the same newspaper reported that a total of 1,350 employees at Ford sites in Saarlouis, Cologne and Aachen – also located in North Rhine-Westphalia – had agreed to leave, with some accepting compensation payments and others availing of early retirement schemes. No figures are available concerning the total cost of the compensation payments and the early retirement schemes.

### *Financial support to companies*

The regional government of North Rhine-Westphalia stated that they had been involved in the negotiations at Ford. However, no information is available concerning any concrete measures or financial support granted to the company.

In general, regional governments regularly run programmes to support local companies. However, subsidies or other financial incentives are generally granted at an earlier stage, namely to attract new investors to the region, rather than to retain them.



### *Job creation measures*

The Ministry of Economic Affairs and Energy of the State of North Rhine-Westphalia ([Ministerium für Wirtschaft, Mittelstand und Energie des Landes Nordrhein-Westfalen](#), [MWME](#)) runs public programmes to foster economic growth in the region. In March 2006, the Minister of Economic Affairs and Energy, Christa Toben, underlined the importance of keeping jobs in the region and that the regional government had agreed to ‘do everything in its power’ to improve the cost and profit situation at Ford’s site in Cologne. However, no concrete measures were mentioned in the statement.

### *Outcome*

The General Manager of Ford Germany, Bernhard Mattes, declared that the company-level alliance between management and worker representatives has significantly improved the competitiveness of the German plants. Moreover, the deal could serve as a model of best practice, as suggested by the German daily *Frankfurter Allgemeine Zeitung* of 7 March 2006. The Chair of the works council at Ford, Dieter Hinkelmann, praised the agreement as a major success, as dismissals at Ford had been ruled out until 2011.

### **Estonia: Pärnu Linavabrik**

In 2006, the Estonian textile company [Pärnu Linavabrik](#) faced significant restructuring, and 121 of its 520 strong workforce in Pärnu in the Lääne-Eesti region of western Estonia were made redundant. A public announcement of the restructuring at the was made at the beginning of November 2006, and redundancies were implemented almost immediately. Pärnu Linavabrik was facing rising production costs in Estonia and planned to change the profile of its products and restructure its production in order to become more competitive.

### *Advance warning and consultation*

By the time the public announcement was made in November 2006, the workers about to be made redundant were already informed that they could receive counselling and information on possible new jobs. Since an employer cannot terminate an employment relationship until 30 days after receiving the approval of the Labour Inspectorate ([Tööinspeksioon](#)), the announcement of the redundancies appears to have been made prior to approval.

The employees were offered counselling and information while the dismissals were being prepared and conducted. According to the Estonian Unemployment Insurance Fund ([Töötukassa](#)), the following parties were involved in the consultation process: representatives of public authorities such as the Unemployment Insurance Fund, the Labour Market Board ([Tööturuamet](#)), the Labour Inspectorate, representatives of local government, as well as representatives of the employers and workers.

However, no changes were made to the initial restructuring plans, and only the statutory minimum advance warning was given. Moreover, as of July 2009, the advance notice period for collective redundancies will be shortened under the new Employment Contracts Act (*Töölepingu seadus*). Given the increasing number of job cuts and collective redundancies taking place due to the economic crisis, the willingness of employers to give advance notice over and above that required by law, or to engage in consultations during the redundancy process, is considered more likely to worsen rather than improve.

### *Support to workers*

Dismissed employees were supported through a [European Social Fund](#) (ESF) pilot project, ‘Service to those made collectively redundant’, with employees informed about their legal rights, the types of jobs for which they might realistically apply, as well as the importance of starting to look for a new job, and how to find one – including which channels to use, how to write a CV and complete other necessary documents, as well as how to conduct themselves at a job interview. The project also involved individual employment mediation and counselling. Moreover, potential employers were informed about the available labour due to dismissals, with meetings organised with a view to finding appropriate jobs for those to be made redundant.

Although participation was voluntary, all 121 dismissed workers were given a chance to take part in the project. In practice, 58 employees took advantage of the opportunity to learn about their legal rights, their opportunities and the importance of starting to find a new job, 32 had meetings arranged with potential employers, and 31 accepted information about how to find a new job.

This particular project was initiated and implemented by the Confederation of Estonian Trade Unions ([Eesti Ametiühingute Keskliit](#), [EAKL](#)) with worker representatives at the establishment level being involved in running the project in cooperation with the company.

Employers in Estonia do not generally take such additional measures, and improvements in this respect are seen to be due entirely to the introduction of the ESF-funded projects.

### *Financial compensation paid to workers*

No additional direct financial help was provided to workers. Every dismissed worker received benefits according to their legal entitlements amounting to an average of EEK 20,000 (about €1,278). Half of this amount was paid by the Estonian Unemployment Insurance Fund and half by the employer. This is typical of the pay-off in cases of collective redundancy. Additional compensation is rare and employers have not become any more willing to pay additional benefits in recent years.

### *Financial support to companies*

The Estonian Unemployment Insurance Fund provides financial support for the payment of collective redundancy benefits to workers. The support is paid as benefit subsidies so as to enable the company to pay the collective redundancy benefits without falling into further financial difficulties. The purpose of the financial support is not to maintain jobs. Such financial support to employers is statutory and is provided on request in all cases of collective redundancies according to the terms described in the Unemployment Insurance Act ([Töötuskindlustuse seadus](#)).

### *Job creation measures*

In the city of Pärnu in southwestern Estonia, where the company is situated, a regional development strategy for the period 2008–2010 was already in place before the restructuring was announced. The strategy aims to create an attractive and internationally recognised entrepreneurial environment. This involves, for example, increasing the proportion of knowledge-based and value-added manufacturing, enhancing the attractiveness of the region for investors and entrepreneurs, and providing the right conditions for creating and developing enterprises in terms of the educational environment and infrastructure.

At the time the restructuring took place, the demand for labour was high. Therefore, no new regional development initiatives were taken in response to this specific restructuring. However, under the framework of the ESF project, local organisations were informed about the new support available to workers at risk of dismissal, and meetings were organised between potential employers and employees who were due to be dismissed.

Local and regional development strategies aiming to promote an entrepreneurial environment and an active labour market are rather common in Estonia because of the high demand for labour. Since 2008, however, the number of restructuring cases involving job dismissals have increased significantly, and it will be difficult for local authorities to try to manage the situation.

### *Outcome*

The [PRAXIS Centre for Policy Studies](#) ([PRAXIS](#)) carried out an evaluation of the ESF project in 2007. This concluded that informing potential employers about the workers about to be dismissed, and arranging meetings between them, was the most important measure in terms of helping redundant workers to regain and retain employment quickly. At the time, no evidence was found of any lasting negative impact on the local economy or labour market as a result of such restructuring, although it occurred in a period when the demand for labour was very high.

## **Ireland: AXA Insurance**

In July 2008, the UK insurance and pension fund company [AXA Insurance](#) announced a restructuring plan that would result in 120 voluntary redundancies at its Dublin office, reducing its workforce from 920 to 800 workers. The decision was a result of declining turnover, and intense competition in the insurance sector, together with the company's desire to make its pay scales more merit based.

### *Advance warning and consultation*

When an employer proposes to create collective redundancies in Ireland, they must initiate consultations with employee representatives affected by the proposed redundancies at least 30 days before the first notice of dismissal is given, with the aim of reaching an agreement between the parties. The following issues must be discussed during the consultation: the possibility of avoiding the proposed redundancies, the possibility of reducing the number of employees affected or of mitigating their consequences by adopting accompanying social measures, and the basis on which particular employees will be chosen to be made redundant. Employers must then forward written notice of the proposed redundancies to the Minister for Enterprise, Trade and Employment, with a copy of this notice sent to the employee representatives. In addition, the employer must consult with the minister, or an authorised officer of the minister, if requested to do so.

AXA management first raised the issue with employee representatives in October 2007, but the main consultation process occurred over a three to four-month period up to July 2008. This consultation involved representatives from two trade unions; the [Services, Industrial, Professional and Technical Union \(SIPTU\)](#) and the [Unite](#) trade union. AXA Insurance and SIPTU agreed a major pay and restructuring deal in July 2008 and while Unite initially expressed some opposition to the reorganisation, it eventually agreed. The company and trade unions then appointed an independent facilitator, who played an important part in drafting a jointly acceptable settlement on the restructuring process. As a result, the trade unions were able to secure certain improvements.

This restructuring case is not seen as a typical example of restructuring. AXA is regarded as a progressive company with 'embedded' cooperative relations between management and trade unions. Other companies in Ireland have tended to act more unilaterally – for instance, by presenting restructuring plans that employee representatives have little opportunity to influence. However, the Irish government's insertion of the 2005 'Junk' [European Court of Justice \(ECJ\)](#) judgement into Irish law has meant that companies are now more likely to provide advance warning of restructuring and engage in more extensive consultation.

### *Support to workers*

Many of the 120 staff who left AXA as part of the voluntary redundancy or early retirement programme were mostly aged in their late 50s such that they would not necessarily be taking up new employment. Pre-retirement courses and advice were offered to these workers, including financial advice and professional assistance on pensions. Some outplacement assistance was also offered. Most of this assistance was provided in-house.

The trade unions in the company would have been involved in the discussions on support and assistance for workers, but not so much regarding delivery. AXA seems to have offered more support than would be typical across the Irish economy. There is some evidence, however, to suggest that other companies are becoming more willing to provide support to workers in restructuring situations, although this varies across sectors, and according to company size.

### *Financial compensation paid to workers*

AXA sought 120 staff to apply for voluntary redundancy or early retirement. Voluntary redundancy consisted of six weeks' basic pay for each year of service applied – including statutory redundancy entitlement of two weeks' pay for each year of service paid by public authorities. Weekly pay calculation included basic pay as well as an appropriate average of performance bonuses awarded for the last three years.

In addition to the agreed redundancy payment, the statutory minimum notice was paid in the most tax efficient manner possible. The upper limit on minimum notice and redundancy payment was

€265,000. Voluntary redundancy was open to qualifying staff up to the age of 56 years at the time of leaving the company and all staff selected and approved for voluntary redundancy retained full pension rights.

Early retirement was only available to people over 50 years of age at the time of leaving the company. The early retirement package was to provide an immediate pension and cash lump sum based on actual service, minus an annual early retirement actuarial deduction of 2% a year of potential service, plus up to five years' additional added service. Those taking early retirement with less than five years to go before reaching the normal retirement age, received an additional payment of six weeks' basic pay for each year of the added five years' service that were not completed. A lump-sum statutory redundancy payment was also applied.

These settlements are well above average. Redundancy terms vary across sectors, but more 'blue-chip' companies have in recent times been moving towards six weeks' pay for each year of service. Some evidence can be found that companies, in general, are paying higher redundancy settlements – however, this could be due to recent increases in statutory redundancy entitlement.

### *Financial support to companies*

No financial support was provided to the company to assist in reducing the scale or minimising the effects of restructuring on workers and the local community.

### *Job creation measures*

Economic development strategies are in place in the different regions in Ireland, including Dublin. [Forfás](#), the national policy and advisory board for enterprise and trade, is the body invested with the state's legal powers for industrial promotion and technology development. Moreover, it advises the Minister for Enterprise, Trade and Employment, [Enterprise Ireland](#) and the [Industrial Development Agency \(IDA\)](#) on policy development and coordination. Enterprise Ireland's regional activities include supporting business start-ups and fostering enterprise support networks for new and established clients. The prime objective of the IDA is to attract foreign inward investment.

### *Outcome*

For the workers at AXA, the intensive consultations and collective bargaining that took place between the company management and trade unions meant that the outcomes were much better than if they had been implemented unilaterally by the company.

In relation to the 120 staff affected by voluntary redundancy or early retirement, the trade unions secured a higher redundancy settlement than perhaps might have been granted unilaterally by management. For the 800 workers remaining in their jobs after the redundancies, the trade unions were also able to maintain higher upper ceilings on new pay bands than might otherwise have been the case.

The management and trade unions concluded what appeared at the time to be a mutually acceptable industrial relations compromise, with no adverse effects on the company. Future arrangements may be less generous, however, given the uncertainties now facing the global financial services sector.

## **Greece: Olympic Airways**

The state-owned airline [Olympic Airways](#) is Greece's official national air carrier. Following a restructuring plan passed by the Greek parliament and approved by the [European Commission](#) at the end of 2008, the intention is to privatise the company, thus splitting it into three separate companies.

One company Pantheon will undertake flight operations and will acquire the assets of Olympic Airways including the right to use the name Olympic, the current logo and significant flight slots. A new company will be set up to undertake ground handling services and will acquire the assets of Olympic Airways-Services. A third company will be set up that will acquire the assets of the aircraft maintenance and repair sector of Olympic Airways-Services.

The new investor was expected to be selected by the end of 2008 with denationalisation taking place by the spring of 2009, but this process is now foreseen to be completed only by the autumn.

Workers will not be automatically transferred to the new investment schemes when the three new companies begin operating. The new buyers will be free to choose the number of persons working for the companies without any other legal or financial obligation.

The company currently employs around 9,000 people, but employment will be significantly reduced following restructuring. It is estimated that the new companies will, together, employ only about 2,000 people with the remaining workers taking voluntary redundancy or being transferred to other public services. Overall, some 4,000 to 4,500 workers are expected to lose their jobs.

### *Advance warning and consultation*

Before finalising the restructuring plan, the Ministry of Transport and Communication ([Υπουργείο Μεταφορών και Επικοινωνιών](#)) provided information to employee representatives and invited them to participate in consultations at the same time as employees were also informed of the government's decision to denationalise the company.

Various trade unions represent workers in the present company, and the Ministry of Transport and Communication has come to an agreement with the trade union representing flight attendants and ground staff, the union of pilots or aircraft operators and the trade unions representing contract staff. However, the trade union of workers of the company's technical base did not participate in the dialogue, and the Federation of Civil Aviation Unions, although asked to take part in the negotiations, has strongly rejected the government's plan. According to the federation, the company should not be closed down, as 'the measures proposed will give rise to hosts of pensioners'.

### *Support to workers*

In order to carry out the restructuring, a plan of voluntary termination of service will be applied to the 4,593 permanent employees of Olympic Airways, as has happened with other state-controlled entities in the past. However, permanent employees will be able to choose to work in other public service or state-controlled entities.

According to the Ministry of Transport, some 14,317 possible alternative positions have been identified, of which 3,862 are in agencies supervised by the Ministry of Transport. In cases where there are pay differences in the new positions compared with the worker's pay when employed in Olympic Airways, a maximum monthly supplement of €500 will be provided.

Seasonal workers at Olympic Airways will receive additional support, with the Manpower Employment Organisation ([Οργανισμός Απασχολήσεως Εργατικού Δυναμικού, ΟΑΕΔ](#)) aiming to offer subsidies to encourage their re-employment, for which a specific programme has been established. The subsidy will amount to €25 per working day and the programme will last three years, but employers will be required to retain the worker for an additional year following the end of the subsidy.

### *Financial compensation paid to workers*

Income support for a transitional period of one year maximum will be provided, and permanent employees who are dismissed will, for the first four months, receive monthly remuneration equal to their regular monthly pay. During the following four months, they will receive 70% of their regular monthly pay, and 60% and 50% for the subsequent two-month periods respectively.

In addition, social support in the form of a lump-sum payment will be provided to permanent employees who are dismissed, depending on their length of service to the company:

- for up to one year with the company, support will be equivalent to regular monthly pay plus an additional sixth thereof;
- for one to four years, support will be double the monthly regular pay plus an additional sixth of such pay;
- for four to six years, support will be triple the monthly pay plus an additional sixth;
- for six to eight years, support will be four times the regular monthly pay plus a sixth;
- for eight to 10 years, support will be five times the monthly pay plus a sixth;

- for 10 years, support will be six times the monthly pay plus a sixth;
- for those employed for more than 10 years, an amount equal to monthly pay shall be added for each extra year of service increased by a sixth of monthly pay.

The Minister of Transport estimates the total cost of all of these measures to reach about €1.3 billion.

### *Financial support to companies*

In this case, no financial support is expected to be given to the company.

### *Job creation measures*

No job creation measures have been taken and it is anticipated that workers will be transferred to existing job positions within other public services.

### *Outcome*

The privatisation of Olympic Airways is a top priority for the government in financial terms. In terms of industrial relations, however, it should be recognised that, following privatisation, the three individual companies will not be obliged to respect previous collective bargaining arrangements. As a result, they will be able, under Greek law, to change their relationships with the existing trade unions, if they so wish, once the company's transfer is completed.

### **Spain: KBC, Banco Urquijo S.A. and Banco Sabadell S.A.**

In July 2006, the Belgian group [KBC](#) sold 99.74% of its ownership in the Spanish bank [Banco Urquijo S.A.](#) to [Banco Sabadell S.A.](#), which planned to strengthen its private banking through this purchase. Banco Sabadell paid €760 million for the bank but planned to make savings from synergies of some €38.4 million by 2008. The agreement to purchase Banco Urquijo and a restructuring plan was made public in May 2006, including the intention to reduce the number of employees at the bank from 824 to 267 employees, and to reduce the number of branches from 60 to 17 branches.

### *Advance warning and consultation*

At the beginning of 2006, the Belgian Group KBC decided to sell its stake in Banco Urquijo and thus put it up for auction. The Sabadell bid was successful over four others. Certain criteria laid out by the [Bank of Spain](#) were taken into account during the negotiations surrounding auction between the KBC Group and the Sabadell Group, as were the opinions of the management and the trade unions of the bank. The main points taken into account were the future of employment, salaries, pensions and terms and conditions of work.

After a period of lengthy negotiations, an agreement was reached and announced in May 2006 with the purchase agreement signed in July of the same year. Two days later, a merger agreement was signed between the management of the Sabadell and Urquijo banks and representatives of the trade unions involved – namely the Trade Union Confederation of Workers' Commissions ([Confederación Sindical de Comisiones Obreras, CCOO](#)), the General Workers' Confederation ([Unión General de Trabajadores, UGT](#)), the General Confederation of Labour ([Confederación General del Trabajo, CGT](#)), the Trade Union Confederation of Workers in the Americas ([Confederación Sindical de Trabajadores y Trabajadoras de las Américas, CSA](#)), DC, the Galician Trade Union Confederation ([Confederación Sindical Galega, CIG](#)), the Independent Trade Union Confederation of Public Servants ([Central Sindical Independiente y de Funcionarios, CSI-CSIF](#)) and the Basque Workers' Solidarity ([Eusko Langileen Alkartasuna/Solidaridad de Trabajadores Vascos, ELA/STV](#)). In this agreement, the banks agreed that employment changes should only be voluntary, and pension arrangements should be remain unchanged.

The Banco Sabadell Group accepted all of the 'acquired rights' of Banco Urquijo employees, but opened up a voluntary early retirement scheme which ran until the end of 2006, and which was operated in conjunction with the legal representations of the employees.

A formal Agreement on Retirement and Early Retirement was also signed in July 2006, followed by an additional Agreement on the System of Retributions in November 2006 and a Pact of Homologation in December 2007.

All of the commitments made by the bank have reportedly been respected, which is not always the case in all company restructuring.

### *Support to workers*

Some 339 workers left the company through voluntary early retirement, on terms that were considered satisfactory to those accepting them. Employees who left Banco Urquijo to work in other banks in the group maintained the terms and conditions of their previous positions.

Decisions in relation to employees were negotiated by their representatives, and executed in line with the agreements, which is not a typical approach with respect to cases of restructuring in Spain.

### *Financial compensation paid to workers*

The Agreement on Retirement and Early Retirement, signed in July 2006, stated that early retirement would be voluntary and financed by the bank.

The amounts received by workers varied from between 83% of the gross wage for employees aged between 53 and 55 years, and 88% for those aged 56 years or more. Revaluations are applied to these rates at different stages. When the recipient reaches 56 years of age, the rate is increased by three percentage points, and by a further four percentage points when the recipient reaches 59 years of age.

The normal retirement age is between 61 and 63 years, depending on seniority in the company and on social security conditions. Hence, the levels of compensation were better than those normally offered to workers in restructuring cases.

### *Financial support to companies*

No financial support was given to the company.

### *Job creation measures*

Early retirement options were used in order to encourage some workers to leave the company voluntarily, thus avoid dismissals. This was partly encouraged by the public authorities involved, although the trade unions played a larger role, mainly through the pressure exerted by them at the time of the auction and following the announcement of the purchase of the company.

### *Outcome*

Of the 824 Banco Urquijo employees taken on by their new employer, over 40% (some 339 workers in total) took voluntary early retirement with any 'excess' employees transferred to other banks in the Sabadell Group. Of the 60 Banco Urquijo branches, 32 were 'merged' with Banco Sabadell agencies, and 18 were incorporated into its ordinary commercial network. The absorption and redistribution of workers under this plan came into effect before the end of 2006.

Efforts to limit the negative effects on workers and working conditions were considered successful, with favourable compensation offered to those who were affected by the restructuring. Several factors contributed to the smooth restructuring process. These include the approaches taken by the management of the Sabadell Group, the Bank of Spain and the trade unions represented in the company. However, it also reflected the favourable economic and commercial climate in which the agreement was made, and which supported the restructuring process with its impact on productivity and the employment conditions of employees.

## Italy: Electrolux

**Electrolux** is a Swedish multinational company, and a world leader in the manufacture of household appliances and professional kitchen equipment. In February 2008, the company announced restructuring plans involving the closure of an Electrolux plant in Scandicci near Florence in northern Italy, which specialised in the production of refrigerators, and which employed 430 workers.

At that time, refrigerator production was split between two plants. To increase the sector's profitability, competitiveness and economic sustainability, the company considered that it was necessary to concentrate production in one factory, in Susegana in the Veneto region of northeast Italy, which was its largest Italian plant with about 1,500 employees.

### *Advance warning and consultation*

A well-developed industrial relations system has been developed over the years within the Electrolux Group, based on a number of specific information and consultation procedures. These include a series of annual meetings where the group presents its financial and productive situation, its investment intentions and its employment prospects. In the case of any proposed company restructuring, specific discussions are added to the annual meetings, which involve representatives of the trade unions at both company and national level.

If the group has difficulties in one or more of its production sectors, the information and consultation procedure is preceded by an 'investigation phase'. During this phase, the group's representatives inform the trade unions about the economic and productive situations of the plants subject to 'investigation', the problems highlighted by the analysis and the interventions envisaged to deal with them.

In February 2008, the Electrolux Group announced the start of an 'investigation phase' with regard to the company's refrigeration division in Italy. This phase lasted around four months and involved more than 20 meetings, during which the possibility of concentrating refrigerator production at the Susegana plant, with the consequent closure of the Scandicci plant, was analysed in depth. The number of meetings held between the parties, and the quality of the information and dialogue, are believed to have favoured the subsequent agreement on management of the restructuring process.

The most 'atypical' feature of the information and consultation process concerned the 'investigative procedure' phase, during which the company showed its willingness to consider alternative uses for the Scandicci plant. Moreover, when the closure of the plant was announced, the maximum information and consultation period required by law – namely 75 days – was extended to around four months.

### *Support to workers*

Electrolux announced that it would try to attract new activities to the site, and thus commissioned a specialised company to identify potential industrial uses so as to ensure the largest possible re-employment of redundant workers. Electrolux set out certain criteria against which it would consider alternative possibilities, including the financial and technological assets of the company interested in the investment, its orders portfolio, its guarantees regarding the maintenance of employment levels for at least three years, and its commitment regarding the rehiring of workers as well as the continuation of the collective agreement for the metalworking sector, and prevailing wage levels.

The company also undertook to sell the plant on advantageous economic terms, and eventually agreed a sale with **Energia Futura**, a company operating in the alternative energies sector. In the run-up to this agreement, Electrolux kept the trade unions and local authorities informed on progress in the selection of alternative industrial projects for the site. The trade unions also facilitated the agreement with Energia Futura concerning the harmonisation of different contractual provisions in the previous company-level contract for the rehiring of workers.

According to the agreement reached between Electrolux and Energia Futura, 370 of the 430 workers previously employed by Electrolux at Scandicci would be rehired by Energia Futura. Moreover, the latter company guaranteed their employment for at least three years, as well as the maintenance of the conditions stipulated by the collective agreement for the metalworking sector, and the continuation of



previous wage levels. Part of the agreement was that the transfer of the Scandicci production site to Energia Futura would only become operational when the company had hired all 370 workers.

For the 60 workers who were not re-employed by Energia Futura, Electrolux created an outplacement service available to help their re-employment at other production sites.

The most unusual aspect of this case study lies in the role played by Electrolux. In Italy, the processes of reindustrialisation following the closure of plants is usually managed – or, at least, promoted – by the local authorities. In the case of Scandicci, Electrolux decided to manage the selection of alternative industrial projects for reindustrialisation itself, and to sell the production site on particularly favourable economic terms to the one it favoured.

### *Financial compensation paid to workers*

For the 430 people employed at Electrolux's Scandicci plant, the agreement provided for recourse to the Extraordinary Wages Guarantee Fund (*Cassa integrazione guadagni straordinaria*, CIGS) for a maximum period of 24 months. In such cases, the Ministry of Labour, Health and Social Policy ([Ministro del Lavoro, della Salute e delle Politiche Sociali](#)) must approve the recourse to the CIG schemes with the benefits paid by the National Social Security Institute ([Istituto nazionale di previdenza sociale, Inps](#)) up to an amount equal to 80% of the overall effective wage.

The workers hired by Energia Futura were eligible for the CIGS and a mobility allowance, and the workers selected for the CIGS were those who voluntarily chose redundancy, and would fulfil pension requirements during the CIG period and subsequent 'mobility period'. The agreement also allowed for the voluntary conversion of 25 full-time employment contracts into part-time contracts.

The reorganisation plan for the refrigerator division, and the agreement subsequently signed by Electrolux and the trade unions on the management of the restructuring, also contained a series of economic incentives to encourage the voluntary departure of those workers who would not be re-employed by Energia Futura.

Overall, it can be said that Electrolux and the trade unions were able to use all of the 'social shock absorbers' foreseen by the law in the case of industrial reorganisation and closure of productive activities.

### *Financial support to companies*

No financial support was given to the company.

### *Outcome*

The quality and transparency of the discussions made it possible to overcome initial tensions about the closure of a plant, and to find satisfactory solutions. This allowed Electrolux to continue to see the production of household appliances in Italy as economically viable. To date, the restructuring process has had no adverse effects. The rehiring of 370 workers by Energia Futura will begin in March 2009 and will continue throughout the year. Moreover, the Electrolux Group has undertaken to monitor the reindustrialisation of the Scandicci site, as will the trade unions, with a focus on employment.

## **Cyprus: Cyprus Airways**

In 2003, almost 1,700 people had been employed by the passenger air transport company [Cyprus Airways](#), but by the following year numbers had fallen to little more than 1,100 workers. Moreover, the company – 69% owned by the Cyprus government – posted financial losses of around €45 million and €25 million in 2004 and 2005 respectively.

In August 2004, the company announced a rescue plan involving 172 planned dismissals with the aim of obtaining approval for a €51 million loan to meet its short-term obligations. This initial plan was subsequently adapted, however, with only 120 redundancies then foreseen.

This short-term action was followed a year later by the launch of a more extensive restructuring plan in September 2005, which aimed to ensure the company's long-term viability, but involving a further 388 planned redundancies.

### *Advance warning and consultation*

The restructuring plan for Cyprus Airways was prepared through a joint ministerial committee comprising the [Ministry of Commerce, Industry and Tourism](#), the [Ministry of Communications and Works](#), the [Ministry of Employment](#) and the [Ministry of Finance](#), as well as the trade union organisations representing Cyprus airways employees. The latter group included: the [Cyprus Airways Employees' Trade Union](#) (Synika), the Local Authority Workers' and Employees' Trade Union (Συντεχνία Ημικρατικών, Δημοτικών και Κοινοτικών Εργατοϋπαλλήλων Κύπρου, Sidikek), the [Cabin Crew Union](#) (Sypka), the [Cyprus Airways Engineers' Union](#) (Asyseka) and the Pancyprian Pilots' Union (Παγκύπριασ Συντεχνίας Πιλότων, [Pasypi](#)). The trade union organisations were not, however, involved in the creation of the restructuring plan.

During the development of the rescue plan, negotiations reached a deadlock. Thus, the Ministry of Employment was forced to mediate between the parties. The Ministry of Employment submitted a conciliation proposal that was only accepted by three of the five trade unions, but which was nevertheless sent for approval to the European Commission. Following this, the management had six months in which to draw up a restructuring plan that could ensure the long-term viability of the company.

The short deadlines set by the European Commission, together with the worsening financial situation of Cyprus Airways, appear to have prevented long-term consultations in which the trade unions would have been more involved. Overall, the consultations with the trade unions lasted only about three months, starting in late September 2005, with the unions complaining that the information provided was often insufficient.

The issues discussed included the international destinations that would be retained by the airline, as well as issues with regard to employment: the number of staff who would be made redundant, the terms and conditions of departure from the company, as well as the amount of severance pay. Overall, however, the consultation process helped the employees and trade unions to realise the need for a drastic restructuring plan that could save both the company and a substantial number of jobs.

This speed of action is not typical, and social dialogue in Cyprus is normally associated with timely and transparent consultations with respect to collective dismissals. The Cyprus Airways consultations departed from these standards essentially because of the extent of the changes affecting the Cypriot air transport market, the worsening financial situation in the sector, and the very short deadlines imposed by the European Commission for drawing up the rescue and restructuring plans.

### *Support to workers*

No efforts were initially made to find jobs for the workers affected by the restructuring in other parts of the organisation or group. However, when the company overcame its most serious financial difficulties, the possibility of transferring employees to other company departments increased. More specifically, the 112 employees who would have lost their jobs due to the transfer of ground handling services to [Swissport](#) were given three options: to leave with severance pay; to work for Swissport under the same terms and conditions of employment; or to work temporarily for Swissport.

In addition, advice and guidance was provided regarding other options available to redundant workers by the various trade union organisations representing the employees at Cyprus Airways.

It is difficult to determine whether this experience is characteristic of the type or extent of support for workers made redundant because of the infrequency of company restructuring in Cyprus, and the absence of specialised structures or services to support workers who become victims of collective dismissals.

### *Financial compensation paid to workers*

The workers who opted for voluntary redundancy received additional compensation over and above that required by law, which is commonly the case in Cyprus, with no evidence of any recent legislative changes in such practices.

The maximum amount of compensation paid to the employees was equivalent to two years' wages, although the amounts paid varied according to factors such as the length of service and the workers' position on the wage scale. Compensation payments were financed by the company and the Ministry of Finance.

### *Financial support to companies*

The state guaranteed a loan of €51 million to Cyprus Airways so that the company could meet its short-term financial obligations, thus avoiding bankruptcy. The approval of this loan by the European Commission was conditional on the design, within six months, of a restructuring plan that would ensure the company's long-term viability.

One of the main reasons that the European Commission approved this loan was that Cyprus Airways is one of the most important employers in Cyprus. The loan and the restructuring plan helped the company survive, and helped save over a thousand jobs. Given the circumstances in which it was granted, however, such arrangements cannot be considered as typical of restructuring cases in Cyprus.

### *Job creation measures*

No plans were developed involving job creation measures in response to the restructuring.

Such job creation measures are more typically included in regional economic development strategies, which are focused on rural areas facing a long-run decline in employment due to the problems of competitiveness faced by very small businesses engaged in traditional activities in the Cypriot economy.

Moreover, the Cypriot economy has experienced particularly high economic growth rates over the previous 10 years – of about 4% on average – and had one of the lowest unemployment rates in Europe. As a result, the main problem facing the country was a shortage of labour, especially unskilled labour, which was being met through inward migration.

### *Outcome*

The number of workers who became redundant as a result of the restructuring plan at Cyprus Airways is estimated to have been 388 workers – a figure that fell somewhere between the requirements of the European Commission for a 'drastic' reduction in the number of employees and the desire of the trade unions to save jobs wherever possible. Most importantly, no employees were forced to leave the company, which was a basic condition set by the trade unions in return for acceptance of the restructuring plan.

The company has since become profitable again, implying that the initiatives taken by the trade unions to minimise the number of redundancies did not have a negative impact on the company's operations. However, no specific effort has been made to monitor the effects of the restructuring plan at Cyprus Airways.

### **Latvia: SIA Triāls and Askembla Growth Fund Kommanditbolag**

In May 2008, one of the biggest meat processing companies in Latvia, [SIA Triāls](#), announced that it planned to dismiss 90 employees during July and August of the same year. However, by the end of the restructuring process, the company had only dismissed about 30 employees.

The company is located in Vidzeme in north-central Latvia, but since June 2007 it has been owned by the Swedish enterprise [Askembla Growth Fund Kommanditbolag](#). The dismissals were part of a reorganisation of production aimed at raising productivity and improving the competitiveness of the business.

### *Advance warning and consultation*

An advance warning of the proposed redundancies was given, as required by law. In Latvia, an employer who intends to carry out a collective redundancy procedure has to inform employee representatives, in good time, of the:

- reasons for the collective redundancy;
- number of employees to be made redundant (including the occupation and qualifications of such employees);
- number of employees normally employed;
- time period during which it intends to carry out the collective redundancy;
- procedures for calculating severance pay.

The company is also required to begin consultations with employee representatives in good time in order to examine the following aspects: all of the possibilities for avoiding collective redundancy; for agreeing on the number of employees subject to the collective redundancy; the process of the collective redundancy; the social guarantees for the employees to be made redundant; and how to alleviate the effects of such redundancy by taking social measures that can create additional employment or enable redundant employees to be retrained.

The company needs to notify, in writing, the State Employment Agency ([Nodarbinātības Valsts aģentūra, NVA](#)) and the local government in the area where the business is located, and send a copy of the notification to the employee representatives, 60 days before the redundancies are intended to take place. The NVA and the local government may also request other information from the employer concerning the intended collective redundancy.

In practice, by the time the reorganisation was completed, the company had only dismissed 30 employees, not the 90 workers initially intended. In fact, in most cases in Latvia, a company will try to avoid going through a collective redundancy procedure when undertaking a restructuring exercise; in doing so, they many choose, for example, to dismiss employees in smaller numbers over a longer period of time in order to keep below the collective redundancy threshold or offer employees financial incentives to leave voluntarily.

### *Support to workers*

After receiving the notice of a collective redundancy from SIA Triāls, the local office of the NVA in Valmiera, located in the Vidzeme region, suggested that information seminars be organised for employees liable to be dismissed concerning their rights with respect to compensation, how they can be officially registered as unemployed, the amount and time scale of possible unemployed allowances, their possibilities for finding new work in the region, as well as information on existing vacancies registered in the NVA. The company management responded positively and helped to organise these seminars.

Representatives of the State Social Insurance Agency ([Valsts Sociālās apdrošināšanas aģentūra, VSAA](#)) and the State Labour Inspectorate ([Valsts Darba inspekcija, VDI](#)) were also invited to attend the seminars in order to provide relevant information regarding their responsibilities – unemployed allowances from the VSAA and legal issues from the VDI. Given that there was no trade union representation in the company, there was no trade union involvement.

Efforts were also made to find jobs within the company. Following the dismissals, some 15 of the approximately 30 people who lost their jobs were registered as unemployed with the NVA. This is considered to be a better than average outcome, which is partly due to the good cooperation between the different state institutions.

### *Financial compensation paid to workers*

The financial compensation was paid according with the Labour Law Section 112 on Severance Pay: if a collective agreement or an employment contract does not specify a larger severance pay, an employer has a duty to pay a severance pay to an employee in line with length of service ranging from one month's average earnings for those with fewer than five years of service with the company through to four months' average earnings for those with more than 20 years of service with the company.

No collective agreement existed in this case, so no additional payments were made.

### *Financial support to companies*

No financial support was provided to companies to assist them in reducing the scale or minimise the effects of restructuring on workers and the local community.

### *Job creation measures*

In 1999, a Vidzeme development planning region was designated, and a Vidzeme development agency was later established, with a regional development programme approved in September 2007 as part of the national planning policy.

This development programme includes the following priorities: the development of infrastructure and services; economic development in general; raising competitiveness and moving towards a knowledge based economy; human resources development and increases in employment; and rural development.

### *Outcome*

The consultation between management and worker representatives resulted in the number of dismissals being reduced from 90 to 30 workers. Additionally, the coordination efforts between the company and the state institutions in providing support for dismissed workers meant that only 15 workers were registering as unemployed following the redundancies, with no lasting negative effects on the local economy.

## **Lithuania: Danisco Sugar Kedainiai**

In 2007, the Danish sugar manufacturer [Danisco Sugar Kedainiai](#) (DSK) decided to close one of its two Lithuanian factories as a result of changes to the market regime made by the EU authorities in September 2007, which provided beet growers with an opportunity to sell up to 10% of their national quotas.

[Danisco Sugar \(DK\)](#) anticipated that this market opportunity would be taken up by Lithuanian beet growers, and thus decided to sell 13.5% of the quota granted to the company in Lithuania. In order to maintain the efficiency of its own production with its reduced quota, however, the company decided to concentrate production in one factory, reducing its workforce from roughly 200 to 80 people.

### *Advance warning and consultation*

In November 2007, the board of DSK announced that it intended to cancel sugar beet production at the DSK factory in Panevėžys in the northeast of Lithuania at the end of the 2007–2008 production season. This decision was forwarded to the Trade Union of Lithuanian Food Producers ([Lietuvos maistininkų profesinė sąjunga, LMPS](#)) in accordance with legislation specifying that a company should inform trade unions at least 67 days before the commencing any dismissals.

In addition, employers are required to inform trade unions 'on the reasons, scope, time and length of the anticipated dismissals as well as the categories of employees to be dismissed'. A meeting was then held with the chair of the trade union and committee members to discuss the preliminary schedules, the groups of employees affected, the conditions concerning information, retraining of and social assistance to employees, the conditions concerning dismissals, including financial provisions, information to employees, and pre-dismissal and post-dismissal social guarantees.

The company's employees were then sent a special notice informing them of the impending dismissals. The first dismissal warnings were issued in January 2008, with the first group of employees being dismissed two months later in conformity with the law.

Consultations between the company's management and the trade unions led to the adoption of a number of worker-favourable decisions, such as favourable severance pay and retraining and social support. Moreover, the information provided by DSK was judged to be very extensive when compared with prevailing practices in Lithuania. In fact, this case appears to have been one of the first instances in Lithuania where the scope and level of worker information, counselling, and financial and social support considerably exceeded the statutory requirements.

### *Support to workers*

The company was unable to offer the dismissed workers other permanent jobs in the locality, and only five workers – all of whom were professionals – of the DSK Panevėžys factory received and accepted offers to work at the other DSK factory in Kėdainiai in central Lithuania. Some workers were, however, offered temporary jobs closing down the production facility.

The company's management and the trade unions agreed to form a joint information group with the aim of ensuring 'sound awareness of the employees on the processes in progress and actions related to the intended closing of the Panevėžys factory'. The group operated during the 'transitional' period from November to December 2007, during which time the group members held regular meetings with the administration, and received updated information on the planned actions related to the restructuring process.

Similarly, the company held regular meetings with individual employees who were to be dismissed, giving them the opportunity to speak about their future plans and expectations. If employees had any requests related to the improvement of their qualifications or retraining, any relevant costs would be covered by DSK unless they could be met by the Lithuanian Labour Exchange ([Lietuvos darbo birža](#)).

The company has, over a long period, cooperated with its trade unions, which played an important role in mitigating the effects of the restructuring and creating favourable conditions for employees. According to the trade union's representatives, about 60% of the dismissed employees have found new employment, and some 20% are unemployed due to 'objective' reasons – for example, they are retired or disabled individuals. The social initiatives taken within DSK in relation to its restructuring are described, however, as unprecedented in Lithuania.

### *Financial compensation paid to workers*

The company management and the trade unions agreed to establish a social fund in November 2007 in order to provide support to tackle any social problems faced by dismissed employees that might occur during the three-year period following the dismissals. The council approved the Principles for Granting Support and Charity to the Workers Dismissed from the DSK Panevėžys factory. According to trade union representatives, in 2008, support from this fund was provided to 36 former employees.

As a result of the negotiations between the company and the trade unions, the dismissal of 168 employees was agreed, of whom 38% would receive four months' notice of dismissal, and 62% would receive two months' notice. Employees would be paid a loyalty bonus of one month's wages for 2007 – in accordance with the collective agreement valid in the company. It was further agreed that the company, on its own initiative, would increase the severance pay due to the employees under the law by 50%. This is one of very few instances – if not the only one – in Lithuania where employees were granted such favourable financial conditions on their dismissal.

### *Financial support to companies*

No financial support was provided to minimise the effects of restructuring.

### *Job creation measures*

No actions were taken to create new jobs in the region as a result of this restructuring measure.

## *Outcome*

The case of DSK is exceptional in numerous respects. In addition to large severance payments, often amounting to nine months' monthly wages, employees also acquired additional qualifications, and most of them found new jobs. In particular, employees were aware that they could turn to the DSK social fund during the following three years if they found themselves in financial difficulties, which is seen as having provided strong psychological support. Since DSK is a well-known company in Lithuania, its positive example should contribute to the development of more positive approaches to restructuring by other national employers, as well as raising the social image and reputation of the company.

## **Luxembourg: Wiltz**

In November 2007, the Luxembourg-based precious and non-ferrous metal manufacturer [Wiltz](#) announced a plan to restructure the company in October 2008, under which the workforce of 230 employees would be reduced to 185 workers. The reason for the restructuring was the fact that demand for the company's products was declining and it needed to reduce its production capacity.

### *Advance warning and consultation*

About 18 months before the planned restructuring, trade union representatives had signed a collective agreement covering issues relating to the financial and economic situation of the company, with the company providing basic data concerning its situation, the number of workers affected by the proposed restructuring, and the measures planned to avoid any job losses.

Negotiations did affect company decisions with respect to the restructuring, in addition to seeking to ensure that every worker could remain in employment. The process described is typical of what usually happens in Luxembourg between all of the parties, especially employers and workers, actively involved.

### *Support to workers*

A job retention plan was devised, covering both internal and external redeployment. This included the creation of new positions within the company, the temporary loan of employees to other companies with the possibility of definitive hiring, and agreements with other companies to re-employ some staff members. As part of this process, all of the companies in the metalworking sector in Luxembourg were contacted, as were some in Belgium.

Worker representatives are obliged to inform the personnel of the restructuring plans and, if there is no consensus, a referendum is usually organised. In the case described here, the company management designated one member of staff as being responsible for providing advice and guidance to those workers who were liable to be affected. The mission of the person in question was also to help each worker to find another job, and to generally provide support for the workers concerned.

While it is not obligatory, this case is seen as typical of actual restructuring practice in Luxembourg, with companies encouraged to work with worker representatives in order to form a plan to retain jobs, including all possible actions to avoid workers becoming unemployed.

### *Financial compensation paid to workers*

Workers who lost their jobs in the company as a result of the restructuring, but who did not become unemployed, did not receive financial compensation from the company. However, the Employment Administration ([Administration de l'Emploi, ADEM](#)) collaborated closely during the project and some workers did receive financial support when leaving the company voluntarily and/or in cases where they were re-employed in less well-paid jobs. The support for re-employment guarantees a remuneration corresponding to 90% of the former wage during a period of four years.

Some of the workers who were re-employed in other companies also benefited from financial support for geographical mobility, which is provided for a period of 18 months, and dependent on the distance between home and the new job location. This is one of a package of measures designed to foster job retention.

As explained above, the trend in Luxembourg is to try to keep workers affected by restructuring in employment rather than to provide financial compensation.

### *Financial support to companies*

The company received financial support for organising training courses for workers appointed to new positions within the company. This type of help is foreseen in the so-called ‘job retention plan’ (*plan de maintien dans l’emploi*) which has been put in place in order to facilitate the internal redeployment of workers, and which has been effective in avoiding redundancies.

### *Job creation measures*

In general, public authorities do make efforts to create new jobs and to attract new companies to the country, which is seen as the responsibility of the Luxembourg Board of Economic Development ([BED](#)). Public authorities have, however, also created regional business areas focused on improving public infrastructures and facilities, with 85% of the cost being borne by the Ministry of Economic Affairs and Foreign Trade ([Ministère de l’Économie et du Commerce extérieur](#)), and with financial support also provided in the form of capital grants and medium and long-term loans at favourable conditions by the National Credit and Investment Corporation ([Société Nationale de Crédit et d’Investissement](#), [SNCI](#)). These initiatives are not specifically linked to cases of restructuring, however, but are part of a broader policy of structural support.

### *Outcome*

In this case, all of the workers affected by the restructuring have been retained in employment so far. Since the last stage of the restructuring measure only became effective in October 2008, it is not clear whether the re-employment of workers can be assured over the long term, although the situation is monitored regularly.

## **Malta: Malta Shipyards Ltd**

In June 2008, the Maltese government announced its decision to privatise [Malta Shipyards Ltd](#) ([MSL](#)). During the EU accession negotiations, the Maltese government had obtained a derogation allowing it to continue to subsidise the enterprise up to the end of 2008 but, as that date approached, and with the enterprise still not economically viable, the government decided to proceed with privatisation.

In order to make the business more attractive for potential bidders, the decision was made to downsize and to reduce the workforce from 1,800 to 700 workers, which resulted in an acrimonious squabble between the government and the workforce and trade unions.

### *Advance warning and consultation*

Over the period 2003–2008, the Minister of Finance had declared on several occasions that MSL was not meeting its targets and, in June 2007, the Minister hinted at closure if it failed to become financially viable. The [General Workers’ Union](#) ([GWU](#)) prepared a report which was presented to the two main political parties contesting the general elections held in March 2008, and which made a number of recommendations to address the structural issues and the staffing problems of the enterprise.

Following the government’s announcement of its intention to privatise the enterprise and offer early retirement schemes to reduce the workforce to 700 workers, GWU protested, claiming that the government was not acting in accordance with the law. As a result, GWU asked workers not to apply for the retirement schemes. The government, in response, threatened to declare the enterprise bankrupt, thereby removing employee entitlement to compensation. The government held consultations with GWU during July and August 2008, which ended in deadlock. Subsequently, a mediator was appointed and an agreement eventually reached.

The consultation resulted in better financial benefits than those originally proposed. Employees who did not apply for early retirement were entitled to be transferred to new employers, with the provision of training schemes for workers.



Normally, in collective redundancy cases, the employer cannot declare any redundancies before it has informed the worker representatives in writing, with a view to them being consulted on the matter. This case was not typical, however, in that the government made an offer of an early retirement scheme on the condition that it had to be taken up by at least 1,000 employees, or the enterprise would be declared bankrupt.

### *Support to workers*

Guidance services were to be provided by the Maltese public employment service, the [Employment and Training Corporation \(ETC\)](#). ETC established the profile of workers seeking alternative employment, so as to design an appropriate training scheme and ensure that an appropriate redeployment plan was developed and implemented.

According to anecdotal evidence, the majority of skilled workers managed to find employment in the private sector. GWU officials participated in the meetings held by ETC for the employees, and the trade union also held discussions with the Department of Social Security about pensions and other social benefit entitlements of redundant employees.

In previous restructuring exercises involving state-owned enterprises, early retirement schemes or alternative employment had been offered and in all collective redundancy cases ETC had provided support in terms of guidance, training and job search.

### *Financial compensation paid to workers*

The Employment and Industrial Relations Act (EIRA) of 2002 stipulates that employees who are declared redundant should be given the appropriate notice period that can either be worked or converted into an equivalent sum of money. In this case, the employees were required to define their period of notice.

Employees who applied for the voluntary early retirement schemes were legally entitled to a sum of money stipulated in the MSL collective agreement. The amount depended on the number of years of service, with a maximum of €121.13 a year for those with more than 29 years of service. GWU also managed, on behalf of the employees, to negotiate other financial benefits over and above those first offered, and in addition to the payments to which employees were legally entitled. As a concession, the government also agreed that all such payments would not be subject to taxation. Overall, the government is expected to provide financial support in the amount of €58 million.

### *Financial support to companies*

MSL is a state-owned company that has been heavily subsidised by the Maltese government for the past 26 years. Hence, all of the financial aid in this restructuring case came from government funds, with the public budget absorbing the €100 million debt accumulated by MSL since 2003.

### *Job creation measures*

No coherent regional or local development strategy was in place before the restructuring was announced. However, during the campaign leading up to the general election in March 2008, the two main political parties developed projects for revamping the Grand Harbour, which is the hub of industrial activities in Malta. Such projects are likely to affect MSL, whose facilities are located in the inlets of this harbour area, and GWU, ETC, the Cooperatives Board and the Ministry for Social Policy are currently involved in efforts to create jobs in the area.

The involvement of the ETC and the trade union representing the majority of the employees at the company is typical of what happens in such cases. The involvement of the Cooperatives Board is less typical. Some evidence is apparent that the public authorities have in recent times made greater efforts to respond to job losses resulting from restructuring.

## *Outcome*

MSL has remained operational and still has contract work with foreign companies. Given that the majority of workers then employed (about 1,750 workers) opted for the early retirement schemes and severance pay, a number of foreign workers have had to be hired in order to complete these orders.

Thus, the company (or companies) that takes over the operations of MSL is likely to need to recruit afresh, and it is possible that, given the type of skills involved, many of the workers who opted to accept the government 'offer' will be re-employed by the newly formed company, but probably with different pay and working conditions.

## **The Netherlands: DaimlerChrysler**

In March 2006, the [DaimlerChrysler](#) company announced that it would end production of the Smart For-Four model at its Nedcar factory in Born, located in south Limburg to the southeast of the Netherlands, where it produced 40,000 units a year. This meant that only the production of the Mitsubishi Colt – 75,000 units a year – would continue at the factory. As a result, over half of the 2,650 employees at the factory lost their jobs. At the time of the restructuring, the factory was jointly owned by DaimlerChrysler and [Mitsubishi](#).

### *Advance warning and consultation*

Dutch legislation requires companies to inform the works council at an early stage regarding restructuring measures. Moreover, the employer has to inform the works council twice a year concerning all important decisions that are foreseen in the coming period, including restructuring, and indicate how it intended to involve the works council in the decision-making process.

Before restructuring can take place, the company must ask the works council for advice on the decision itself, as well as the effects it would have on employees. If the works council's advice is not followed by the company, the works council can try to block the decision through the courts if it can show that the company has failed to respect its duties – that is, not providing a clear motivation for its decision, not providing sufficient information, no plans to soften the impact and no serious consideration of alternative strategies.

Usually, collective agreements require the employer to negotiate with the trade unions on measures to ameliorate the consequences for the employees in the case of restructuring. However, when more than 20 employees are affected by restructuring, this is enforced by the law. If a company does not comply, the public authorities will not grant permission for the dismissal of the workers concerned.

In the case of Nedcar, the works council, the trade unions and the public authorities were all involved in the consultations that began as soon as the announcement was made by DaimlerChrysler and lasted 14 months. Since a restructuring process was seen as inevitable, the consultations mainly focused on the consequences for the employees, the levels of redundancy payments, outplacement procedures, as well as ways of trying to attract new production orders. This resulted in a rather lavish social plan, and in significant efforts to obtain alternative employment for employees who were to be dismissed.

The Netherlands has a long-standing tradition of advance warnings and consultation and agreements with trade unions and works councils are normal. What is special in this case is not just the degree of works council and trade union involvement, but the involvement of the public authorities.

### *Support to workers*

Looking for alternative employment within the company was not really an option, but other potential employers were contacted about possible vacancies for redundant workers. These included companies such as [Scheldebouw](#) involved in construction, [Wilms](#) operating in the transport sector and [Solar](#) involved in solar energy. A big advantage at the time was the increasingly tight labour market in the area, especially for technical personnel.

The most important measure taken was the creation of a Mobility Centre Automotive in the nearby city of Sittard. In this centre, the public authorities – including the employment office, the reintegration office and the office responsible for benefits – together with commercial temporary work

agencies, outplacement bureaus, other employers in the region, and trainers and coaches, all worked together to find or create work opportunities.

The trade unions and the works council pressurised the national, regional and local authorities to take drastic measures. In April 2006, the trade unions organised a strike, resulting in a promise by Nedcar to do its utmost to save employment, and not to dismiss any employee before April 2007.

Such large-scale operations are rather exceptional, and without exception confined to very large companies, normally in areas with relatively high unemployment. However, it is hard to say whether the willingness of employers to support employees has changed over the last few years.

### *Financial compensation paid to workers*

There is no legal right to financial compensation in the Netherlands. In the case of collective dismissal, financial compensation is usually negotiated by the trade unions. Larger companies may have a social plan in place that would be applicable in any restructuring cases over the period of the agreement.

Financial compensation is commonly determined by length of service and salary, based on a so-called ABC formula, where A stands for length of service, B for salary and C is a correction factor. This is used as a starting point for negotiations with the trade unions in cases of mass redundancies. The formula provides for a redundancy payment equal to 11 months' salary for an employee with 11 years of service. However, for every year of service worked between the age of 40 and 50 years, the compensation amounts to 1.5 months' salary and, for each year worked above the age of 50 years, it is two months' salary.

At the end of 2006, a total of 800 employees decided to opt for a voluntary 'departure' with substantial financial compensation. By February 2007, only 110 employees were still threatened by forced dismissal by May 2007. For them, a special social plan was agreed, in which the existing redundancy payment was raised by 25%, and employees leaving by choice before May 2007 also received a few months' salary on top of the redundancy payment. In all, the restructuring costs at Nedcar amounted to €60 million.

### *Financial support to companies*

In the case of Nedcar, there was no financial support to the company, which is normally the case in the Netherlands. However, things have changed since the credit crisis and employers may be entitled to government support to finance a reduction in working hours, if they offer training and education to their employees. In January 2009, Nedcar made a successful request of this kind. More generally, employers are trying to retain employees with technical expertise, in whom they have invested heavily, in preparation for the eventual economic recovery.

### *Job creation measures*

A Mobility Centre aimed at creating jobs was established, but existing companies proved to be a far more important source of employment because of the tight labour market in the area at that time.

The case of Nedcar is not a typical example, however. The level of activity and the degree of coordination between the different parties involved was much higher than average given that the tight labour market and low unemployment levels in the Netherlands had seemed to make large-scale actions unnecessary. Since the credit crisis, however, public authorities have become much more active.

### *Outcome*

As a result of the restructuring, half of the jobs at the Nedcar site were lost and in January 2007 the company declared that no additional new employment could be foreseen before 2009. On the other hand, by February 2007, some 800 out of the 950 employees who had been dismissed in 2006 had already found a new job.

## **Austria: Hirschmann Automotive**

In January 2008, [Hirschmann Automotive](#), a manufacturer of parts and accessories for motor vehicles located in Rankweil in the province of Vorarlberg in western Austria, announced a restructuring measure involving a reduction in its workforce from 705 to 550 employees, beginning in May 2008 and continuing through to January 2009.

This restructuring involved the relocation of an entire high labour-cost production division to newly established subsidiaries in the Czech Republic and Romania, where wages were significantly lower. The company management considered the move to be necessary in order to remain competitive in a global market.

### *Advance warning and consultation*

In the first phase of a consultation beginning in January 2008, the works council was notified and was involved in consultations. As a next step, the local office of the Labour Market Service ([Arbeitsmarktservice, AMS](#)), the trade unions and the relevant subunit of the Austrian Federal Economic Chamber ([Wirtschaftskammer Österreich, WKÖ](#)) were informed.

The information to be provided by the employer has to include the following:

- the grounds for, and the prospective time period of, the planned dismissals;
- the number and jobs of all regularly employed workers;
- the number, job, duration of employment, skills, age and gender of the employees to be dismissed;
- the criteria for the selection of the employees to be dismissed;
- the accompanying social measures that it envisaged in order to limit hardship.

The first redundancies were expected to take place no earlier than May 2008, so that the legal period of advance warning of at least 30 days was clearly respected. This is typical of what usually happens in the first stages of a restructuring process in Austria.

The company management and the works council had concluded a works agreement stipulating that, in the event of collective dismissals, temporary agency workers have to be laid off before regular employees. However, the trade unions accused the management of not having informed the workforce properly and claimed that the company failed to adhere to the latter agreement regarding layoffs. Legal proceedings against the company were threatened but not undertaken.

### *Support to workers*

Under Austrian labour law, if the planned workforce reductions are significant in scale, the works council can demand the production of a 'social plan' in the form of an 'enforceable' works agreement. Thus, such a social plan was completed in the case of [Hirschmann Automotive](#) in early March 2008. The social plan stated that some of the employees affected by the redundancies should benefit from internal occupational training programmes and be shifted to other parts of the company. About 30–40 more workers remained in the company because of this plan.

Hirschmann Automotive also set up its own 'in-service' job placement centre, where the employees affected by the restructuring were given advice and support to help them find another job. The centre operated as an information, guidance and job placement system between job seekers, job providers and the AMS and some employees were placed in other companies before they became redundant.

The AMS approved the provisions of the social plan, according to which the existing regional re-employment scheme in Vorarlberg, the 'Re-employment scheme 2000' (*Arbeitsstiftung 2000*), would be extended and opened up to employees threatened by unemployment due to the Hirschmann restructuring. This scheme provides career guidance, individual reskilling programmes, on-the-job training and other services. In joining the scheme, Hirschmann Automotive contributed over €2,000 per participant, from which some 50 employees benefited. Participants in the scheme received regular unemployment benefits from the AMS for an extended period of up to three years (or four years in the event of older employees), plus a special training allowance of €29 also paid by the AMS.

### *Financial compensation paid to workers*

The social plan concluded between the Hirschmann company management and the works councils set out the financial benefits that the employees concerned would receive over and above the statutory severance payments. It also defined the extra payments from the company, dependent on the social circumstances of each employee, the length of their employment with the company, as well as the training and outplacement opportunities, particularly for older employees.

In addition, a hardship fund was set up to mitigate the social consequences of the dismissals for more vulnerable employees. These payments were financed by an obligatory contribution of over 1.5% of monthly pay from all employees paid into a separate fund, without any contribution from public authorities or trade unions.

The financial arrangements in this case are not typical given that the additional payments are differentiated in a rather sophisticated way and are relatively generous.

### *Financial support to companies*

No special financial support to this company has been reported as a result of restructuring.

### *Job creation measures*

In Austria, the provincial governments (*Landesregierungen*) of each of the country's nine provinces (*Länder*) have developed economic and employment programmes tailored to their specific regional requirements. The most important instruments in terms of regional employment policies are the so-called territorial employment pacts, which deal with issues such as re-employment schemes (*Arbeitsstiftungen*) in cases of restructuring, public welfare projects, skill and qualification requirements, and measures aiming to encourage the employment of young and older workers.

In Vorarlberg, the main goal of the pact at the time was to preserve and create jobs, as well as to attract investment into the province as a location for business activities. In the last year or so, the re-employment scheme – particularly 'outplacement' schemes – has been taken up more frequently than in the past.

### *Outcome*

Initially, Hirschmann Automotive announced a reduction of between 50 and 100 temporary agency workers and 120 to 130 regular staff. In the end, only 80 employees were actually dismissed, with 30–40 workers retrained or moved to another part of the company. Hence, both the internal retraining measures and the in-house job placement centre appear to have been successful. According to the company's management, many employees had been outplaced to other employers in the region by May 2008, thereby avoiding unemployment.

No information is available on the overall success of the re-employment scheme. However, the measures highlighted are recognised by both employers and employee representatives as the most promising measures for labour market reintegration of unemployed people. In addition, the social plan secured the jobs of all disabled persons in the company and provided part-time employment arrangements for older employees.

### **Poland: Krosno S.A. Glassworks**

In April 2009, [Krosno S.A. Glassworks](#), a Polish manufacturer of glass and glass products located in the region of Krosno in southeastern Poland, announced a restructuring plan involving the collective redundancy of 1,200 employees, so as to reduce its 3,500 strong workforce to 2,300 employees.

The reason given for the restructuring was a decline in demand for the company's products due to imports of low-cost glass from South America and Asia, as well as rising gas prices in Poland.

### *Advance warning and consultation*

The collective layoffs procedure is based on an Act from March 2003 regulating the dissolution of the employment relationship through no fault of the employee (*Journal of Laws (Dziennik Ustaw, Dz.U.)*)

No. 90, item 844, with subsequent amendments). The parties involved in that procedure are the employer, the company's trade unions and the Poviát Labour Office ([Powiatowy Urząd Pracy](#), PUP). Consultations began in February 2008 and lasted two months. An agreement was signed between the employer and the company's trade union, and the district employment office was then notified in writing. The agreement established the rules regarding the actions to be taken in relation to the dismissed employees, as well as the employer's duties in this respect. The notification sent to the PUP contained information about decisions with respect to collective layoffs, including the number of staff employed and to be dismissed, as well as the reasons for their dismissal. On the whole, the agreement signed was in line with the company's original restructuring plans.

Regulations governing collective layoffs have not changed since the act was passed in 2003. The employer is bound by law to respect the consultation procedure and to inform trade unions and the employment office in advance about the company's intentions regarding employment restructuring. The advance warnings given and consultations carried out in this case can be considered as typical for Poland.

### *Support to workers*

Krosno Glassworks did not have any alternative jobs to offer the dismissed employees and did not organise any training for them. The only body that provided assistance was the PUP in Krosno, which provided information on the employment opportunities available to the employees, made contact with other employers, and offered placement or training in other companies. It also offered subsidies of PLN 13,500 (€3,028) for those who wanted to start up their own business.

Neither the trade union nor employee representatives in the company were able to help the dismissed employees directly, although they informed them of their legal rights and the possibilities offered by the PUP in Krosno.

The standards of assistance provided to dismissed workers who become unemployed are regulated by the Act of 20 April 2004 on employment promotion and labour market institutions (Dz.U. of 2008, No. 69, item 415), which regulates all rules of assistance provided to unemployed people by employment and commune offices as well as by other employers and non-governmental organisations (NGOs). These rules have not changed since 2004.

### *Financial compensation paid to workers*

The agreement reached between Krosno Glassworks and the trade union represented at the company established the amount of the severance pay for dismissed employees. Those company employees who had acquired pension entitlements were able to retire and receive retirement gratuities, as defined by the Labour Code provisions. The PUP offered unemployment and vocational training support, as well as the possibility of training or placement with other employers.

The employer always guarantees severance pay of an amount agreed with the trade union and retirement gratuities as required by the Labour Code. The employer may organise training for the dismissed employees, for which the PUP grants subsidies. These rules have not changed in recent years and depend on the agreement reached between the employer and the trade union.

### *Financial support to companies*

Companies may only receive subsidies from the PUP for employee placement and training, but any employer who receives subsidies for employee placement or training has to continue to employ the workers concerned for 12 months. This did not happen in the case of Krosno Glassworks whose aim, like that of many companies in similar circumstances, was to improve its financial position by laying off workers rather than retaining their posts.

### *Job creation measures*

No regional or local development strategy existed with respect to the company's decision to restructure. However, Krosno is part of the Special Economic Zone, Krakow Technology Park (*Krakowski Park Technologiczny*), which receives public funding for investment and the creation of

new jobs. It also enjoys property tax exemptions and is entitled to use employment office programmes that support the recruitment and training of prospective employees.

The Krakow Technology Park is a joint-stock company, with the State Treasury ([Ministerstwo Skarbu Państwa, MSP](#)) and the regional (voivodship) government authority as majority shareholders, which means that they are both involved in the creation of new jobs in the region. In practice, most of the employees dismissed from Krosno Glassworks and who found other jobs did so with other companies operating within the Krakow Technology Park. Alternatively, dismissed employees chose to start their own business.

The principles governing the operation of special economic zones, tax exemptions and provision of state aid for the creation of new jobs are regulated by an Act of October 1994 on special economic zones (Dz.U. of 2007, No. 42, item 274). The rules have not changed in recent years. The zone's authorities seek to encourage companies to invest in the area by offering various advantages, as defined by the act.

### *Outcome*

Although the majority of those who lost their jobs were initially registered as unemployed and applied for benefits provided by the district employment office in Krosno, many of them eventually found work in other companies in the region, including in the Krakow Technology Park, or started their own businesses.

### **Portugal: Lear**

At the beginning of April 2006, [Lear](#), an American company manufacturing vehicle cables in Valongo in northwest Portugal, announced a restructuring plan. A first phase of the plan was to be completed by the end of May 2006, followed by a second stage that was to last until February 2007. The plan involved the dismissal of 830 workers, including 285 workers in the first phase and 545 workers in the second phase.

The objective of the restructuring and the transfer of the work elsewhere was to reduce labour costs, which ultimately led to the closure of the company's Valongo site.

### *Advance warning and consultation*

The information and consultation process was carried out in accordance with the law. However, the General Workers' Union ([União Geral de Trabalhadores, UGT](#)) and the General Confederation of Portuguese Workers ([Confederação Geral dos Trabalhadores Portugueses, CGTP](#)) wrote to the company management alerting it to the serious consequences of its actions, including the negative impact on the company's image locally, and the need to address their concerns.

The National Trade Union of Industry and Energy ([Sindicato Nacional da Industria e da Energia, SINDEL](#)) was contacted by the company's European HR department in order to begin consultations with them – an action that proved decisive in terms of achieving a satisfactory outcome. Prior to this, the company had not taken account of the trade unions' proposals, but that position changed with the introduction of SINDEL and UGT into the negotiations. In addition to the trade unions, the Labour Inspectorate-General (*Inspecção-Geral do Trabalho*) – since merged with the Institute for Safety and Health at Work (*Instituto para a Segurança, Higiene e Saúde no Trabalho*) to form the Authority for Working Conditions ([Autoridade para as Condições do Trabalho, ACT](#)) – also took part in the discussions.

Appropriate advance warning was given and consultations took place two months before the dismissals occurred, lasting a total of 10 days. The main focus of the discussion was on the reasons for relocation. The company provided its justifications for the closure of the Valongo plant, but the consultations did not alter their decisions regarding the site.

### *Support to workers*

Apart from providing information and negotiating with the workers affected by the restructuring, the company agreed to only dismiss those with particular difficulties – couples, families in financial need, those with a disability – in the second phase of the restructuring. The social security agency also monitored the situation and made several visits to the company, providing workers with information, and holding discussions about their futures.

### *Financial compensation paid to workers*

In the first phase of dismissals, those who accepted to terminate their contracts through mutual agreement received compensation equal to 1.85 times their wages for each year of service to the company, plus some seniority benefits. However, those who contested the collective dismissal received only one month's pay for each year of seniority. No extra compensation over and above the legal requirement was paid in the first phase.

In the second phase, the compensation amount was doubled. This extra compensation amounted to an average €700, which was the equivalent of the average salary in the company. This compensation was paid for by the company itself.

Typically, the amount of compensation paid was no higher than the statutory minimum, and was only paid after appeals from the trade unions (CGTP). In this case, however, the company's position was different due to the participation of SINDEL and UGT in the negotiations.

### *Financial support to companies*

No financial support was provided to assist the company in reducing the scale or minimise the effects of restructuring on workers and the local community.

### *Job creation measures*

No information on job creation measures was available.

### *Outcome*

The amount of the compensation provided reduced the negative impact on workers who failed to find employment after receiving benefits from the State Unemployment Fund. Others added the payments to the unemployment compensation payment and became self-employed.

Some of the dismissed workers remain unemployed due to a lack of investment in the region. In other subsequent plant closures – such as those of [General Motors](#), [Johnston CONTROL](#), [ALCOA](#) and [Yazaki](#) – the processes followed and the results were similar.

## **Romania: Automobile Dacia and Renault**

In July 1999, the Romanian automobile manufacturer [Automobile Dacia](#) began a restructuring plan phased over five years at its site in Mioveni, near the city of Pitești in Argeș County in south Romania. The restructuring was carried out in 20 steps, each lasting three months, starting in December 1999 and planned to end in September 2004. In 1999, almost 14,000 workers were employed at Dacia but this number was to be reduced to less than 8,000 workers.

Restructuring resulted from the privatisation of Dacia, which was taken over by the French company [Renault](#).

### *Advance warning and consultation*

Negotiations with the trade unions started in 1997. To implement the restructuring, a plan of action was drawn up by the company but carried out together with the trade unions. This included:

- determining the selection criteria for the employees to be laid off;
- analysing the proposals regarding the restructuring and redundancy process;
- evaluating professional competence through an examination board;



- deciding on the procedure for each redundancy phase;
- nominating the employees to be made redundant according to the agreed criteria;
- forwarding the list of nominees to the trade unions for review and consultation and to the Argeş County Agency for Employment ([Agenția Județeană pentru Ocuparea Forței de Muncă Argeș, AJOFM Argeș](#));
- conducting the dismissals according to the law.

The plans for each of the 20 restructuring phases were forwarded to the trade unions, so that the accompanying social measures and the redundancy lists could be jointly agreed. Consultations were held on a regular basis throughout the entire restructuring process. This permanent cooperation between the company and the local social partners contributed to the specific decisions taken in each phase.

At the time, Romanian legislation governing the information and consultation of employees had not been brought in line with the *acquis communautaire* but the French partner nevertheless proceeded in accordance with the principles of French legislation. As a result, the advance notice and consultation procedures went far beyond the minimum legal provisions. The harmonisation of Romanian legislation on employee notification and consultation with the *acquis communautaire*, and the accession of Romania to the [European Union](#) (EU) in January 2007, has had a decisive influence on the behaviour of companies undergoing similar restructuring over the past two years.

### *Support to workers*

Efforts to help redundant workers find other jobs received support from: the Foundation for ‘Development and Solidarity for the Pitești-Mioveni Area’; the Dacia Social Reinsertion Service ([Serviciul de Reintegrare Socială Dacia](#), SRS Dacia) as an active supplier of employment services; and the Regional Centre for Adult Training ([Centrul Regional de Formare Profesională pentru Adulți](#), CRFPA), established by the company in cooperation with the National Agency for Employment ([Agenția Națională pentru Ocuparea Forței de Muncă, ANOFM](#)) and AJOFM Argeș. Their concerted effort resulted in the re-employment of 2,148 persons, the creation of 265 enterprises, as well as the provision of assistance to 4,694 persons who retired or relocated to other jobs.

SRS Dacia, on its own, provided active employment services in a number of ways. These included the assessment of individual competence, the accompaniment of a redundant person by a personal consultant, the identification and notification of vacant jobs, workshops to develop job-seeking skills, and assistance for enrolment in retraining courses. The company’s policy was seen as exceptional given that most companies undergoing restructuring do not go beyond the minimum required by law – in other words, they only notify the local employment and training authority of the persons to be made redundant.

### *Financial compensation paid to workers*

No precise information is available regarding additional payments made to workers beyond their legal entitlements. Severance pay was based on the legal provisions. Persons whose individual employment contracts were terminated as a result of the mass redundancies were provided with tax-free severance payments ranging between six, nine and 12 times the net monthly national average salaries, payable from the Unemployment Fund, and related to three categories of length of service: under five years, five to 15 years, and over 15 years.

This could be supplemented by a maximum of three net national average monthly salaries if the recipient lived in an area with an unemployment rate of more than 12%, where business opportunities were sparse, or where their training was very narrow or specialised. Such recipients were entitled to bank loans at preferential interest rates, which would help them to start their own business.

Overall, these severance payments were determined according to the criteria included in the collective agreements, although the negotiation of compensatory payments, or even their insertion in collective agreements, was far from the general rule at the time. However, part of such services is now provided by ANOFM in its capacity as the public employment agency.

### *Financial support to companies*

Under Government Decision No. 445/1999, the company enjoyed various tax breaks including exemptions from value-added tax (VAT) on imports of goods, industrial equipment and machinery, VAT exemptions for goods purchased from the domestic market, profit tax concessions, as well as the deferment of certain financial commitments.

In addition, under Government Decision No. 794/1999, the Romanian government co-financed a part of the company's development programme from the funds accrued from privatisation contracts. These incentives amounted to some 22% of the investment costs of the company and contributed significantly to workplace stability.

Given the size of the investment project, and of the restructuring programme carried out, the incentives granted to Automobile Dacia were not exceptional compared with local and EU practice in similar situations. The transposition of the *acquis communautaire* on competition and state aid, as well as Romania's accession to the EU, have both converted these incentives into existent state aid.

### *Job creation measures*

The local development strategy for Argeş County was successfully supplemented by the initiatives of Automobile Dacia, ANOFM, the National Trade Union Bloc ([Blocul Național Sindical, BNS](#)), the Argeş County Council, and the Argeş Prefecture ([Prefectura Argeş](#)), who took responsibility for finding and implementing measures capable of addressing the economic and social problems in the region. In all, some 265 new small and medium-sized enterprises (SMEs) have been created.

### *Outcome*

The efforts of all of the intra-company, local, regional and national stakeholders have contributed to minimising the negative effects of restructuring and Automobile Dacia can be seen as an example of best practice. Moreover, the positive manner in which the restructuring was managed appears to have created a sustainable workforce in the region. Company figures show that, in 2008, Automobile Dacia had increased its employment once again to over 14,000 employees. The effects of restructuring are being constantly monitored, but the impact of the current global financial crisis remains to be seen.

## **Slovenia: Vipap Videm Krško**

[Vipap Videm Krško](#) is the largest paper manufacturer in Slovenia, located in the small town of Krško, located in the Spodnjesavska region in southeastern Slovenia. In August 2006, its cellulose pulp production unit was closed down, resulting in a reduction of its workforce from 790 to 440 workers. At the time, the company was owned by [Československa obchodni banka \(ČSOB\)](#). The closure of the pulp production arose out of a previous acquisition deal in 1996, when the company was purchased by the Czech financial holding company [ICEC](#).

### *Advance warning and consultation*

In February 2004, Vipap announced that it intended to close its cellulose production unit by the end of April 2004, making 326 workers redundant. However, this plan was not carried out due to trade union opposition and the intervention of the local authority, with the latter asking the government to grant the domestic cellulose industry special treatment, which would enable it to continue to operate and to achieve European environmental standards by 2006.

In 2006, however, the issue of closure resurfaced. The Ministry of Labour, Family and Social Affairs ([Ministrstvo za delo, družino in socialne zadeve, MDDSZ](#)) was actively involved in addressing the problems of redundant workers in Vipap through the Employment Service of Slovenia ([Zavod Republike Slovenije za zaposlovanje, ESS](#)) from the beginning. In March 2006, the local office of the Employment Service discussed the problem with Vipap's management, which resulted in an action plan for Vipap's redundant employees being drafted by the employer, the trade unions, the Commune of Krško and the Work Fund Posavje.

The action plan, completed by May 2006, looked at the possibilities for the re-employment of redundant workers and the provision of information concerning employment opportunities. It also

identified sources of funds for the co-financing of training costs. Representatives of the employees, the management of Vipap, the trade unions, MDDSZ, the local office of the Employment Service, the Work Fund Posavje and the local community met to determine the best way of putting the programme into practice.

This procedure can be considered as typical of what happens with respect to advance warning and consultation in the case of restructuring in Slovenia, with all of the main actors being involved.

### *Support to workers*

The process of laying off employees began in June 2006. Some redundant workers found employment with other employers, some took early retirement, while the remainder were included in the Active Employment Policy programmes of the ESS. In all, the local ESS office and the Work Fund Posavje found some 160 jobs in the regional economy.

Under the Active Employment Policy, workers losing their jobs on the grounds of restructuring typically have access to the following forms of support: advice and guidance on career and training options; organisation and preparation for job interviews; training or retraining programmes; promotion of self-employment; financial support for a move to a new locality in order to take up a new job; and work funds. There are also some special measures and public interventions that depend on the scale of the redundancies, on the sector in which redundancies occur or on the significance of the redundancies for the local environment.

The Vipap case is typical of the way in which support for restructuring is handled in Slovenia. The ESS focuses on the impact of the redundancies on the local economy, and employers usually try to find alternative employment in cooperation with other employers, local employment offices and private employment agencies in the region.

### *Financial compensation paid to workers*

In Slovenia, every employer who terminates the employment contract for business reasons has to make a redundancy payment to the employee, the amount of which depends on the employee's average monthly wage and on the number of years of service with their employer. Workers losing their jobs involuntarily are entitled to monthly unemployment benefits that are provided by the ESS, and based on statutory and compulsory unemployment insurance.

The issue of redundancy payments became a problem, however. The company had declared itself bankrupt in 1993. In this regard, its management claimed that employment in the period before that date should not be taken into account in determining eligibility for redundancy payments because a company ceases to exist as a legal entity once it declares bankruptcy.

The trade union, on the other hand, claimed that employees who were dismissed should receive redundancy payments with respect to the whole of their period of employment at Vipap. In practice, this would require Vipap to pay about €3.6 million in redundancy payments instead of €700,000. The case was taken to court and the local court in Brežice supported the trade unions position. Vipap contested this judgement but the higher and supreme courts confirmed the local court decision. The company now intends to go to the Constitutional Court (*Ustavno sodišče*) and the ECJ.

### *Financial support to companies*

The company has received indirect financial support. In 2004, it was granted a two-year period of grace before beginning to pay the new environmental tax in order to enable it to abide by European environmental standards by 2006. This led to the continuation of production and jobs until 2006.

### *Job creation measures*

No specific job creation measures have been taken in the case of Vipap even though Slovenia runs several programmes related to job creation. Such programmes include: the Programme of Measures for the Promotion of Entrepreneurship and Competitiveness; the activities of the Ministry of the Economy ([Ministrstvo za gospodarstvo](#)) within the Sector for Enterprise Rehabilitation and Restructuring; and regionally specific employment-related projects – such as promoting training,

education, employment and self-employment, promoting new investments in micro enterprises, as well as co-financing investment in human resource development – in less developed regions.

However, at approximately the same time as the closure of the cellulose pulp production, the car assembly company [Revoz](#) – owned by Renault – located in Novo Mesto in southeastern Slovenia launched the production of a new model, which offered additional employment opportunities in the area.

### *Outcome*

Overall, the Vipap case can be seen as positive, at least until very recently. Instead of an ecologically problematic cellulose pulp production plant, the town of Krško acquired a modern paper production plant using recycled waste paper and thermo-mechanical wood as the main raw materials, employing 440 people. Moreover, during the periods of strong economic growth in 2006, 2007 and the first half of 2008, those employees who lost their jobs as a result of Vipap's restructuring had no difficulty finding new jobs.

### **Slovakia: Železnice Slovenskej republiky**

In 2002, Slovak Railways ([Železnice Slovenskej republiky](#), [ŽSR](#)) was a state monopoly railway transport services company, with headquarters in Bratislava in western Slovakia. In the same year, the company was restructured and split into two state shareholding companies: the Railway Company (*Železničná spoločnosť*, ZSSK) responsible for the transport of passengers and cargo, and ŽSR which covers operations and the maintenance and development of the railway infrastructure.

Since January 2005, ZSSK has been further divided into the Railway Company Cargo Slovakia (*Železničná spoločnosť Cargo Slovakia*, [ZSSK Cargo](#)) and the Railway Company of Slovakia (*Železničná spoločnosť Slovensko*, [ZSSK](#)).

Before the 2002 restructuring, ŽSR employed 22,750 people but by 2007 when the five-year plan was completed, employment at the company was reduced to less than 18,000 workers. The main reason for the restructuring was the fact that ŽSR was operating at a loss and was only being kept afloat through state subsidies.

### *Advance warning and consultation*

In cases of mass dismissals, legislation requires close cooperation between the enterprise management, employee representatives and the public employment authorities. The employer is obliged to consult with employee representatives at least one month before launching the dismissals. It is also obliged to submit a report about these consultations to the Centre for Labour, Social Affairs and Family ([Ústredie práce, sociálnych vecí a rodiny](#), [ÚPSVAR](#)).

In the case of ŽSR, these procedures were fully respected and the company management submitted information about the following: the reasons for the planned redundancies; the number and types of workers to be made redundant; the number and types of workers normally employed; the period over which the planned redundancies would take place; and the criteria proposed for the selection of the workers to be made redundant.

Restructuring issues and the regulation of mass dismissals were specified in collective agreements concluded by the ŽSR management with their respective trade union organisations during the restructuring period. Since the restructuring started, the ŽSR management has regularly discussed organisational changes and issues concerning redundancies and dismissals in advance with the trade unions, sometimes three months in advance in accordance with the collective agreement.

Partly because of these collective agreements, the impact of the mass dismissals was less significant than it would normally be, and the employee-friendly approach of the ŽSR management was maintained throughout the entire restructuring process.

### *Support to workers*

According to the collective agreements, the ŽSR management has to provide assistance to redundant employees in the form of guidance and mediation aimed at helping them to find other jobs. The company established four regional advice centres to provide information for redundant workers about available vacant jobs within ŽSR, ZSSK and ZSSK Cargo.

The company management also agreed to give preference to workers threatened with redundancy with regard to any vacant positions, even if this required retraining, which the company would then provide. Other potential employers outside the railway sector were not contacted, however. Trade unions were actively involved in the interviews conducted by management with redundant employees.

This case of restructuring was more favourable to redundant employees than normally the case. The level of support maintained throughout the restructuring process may be explained by the state ownership of the business, the political sensitivity of mass dismissals, and the strength of the railway trade unions.

### *Financial compensation paid to workers*

The Labour Code states that the standard redundancy payment to dismissed employees should amount to two months' average salary. However, the ŽSR collective agreement allowed for employees who left the company earlier to receive higher levels of redundancy pay, ranging from three to five months' average salary.

Dismissed workers also received special financial compensation according to their years of service, which amounted to up to 10 months' average monthly salary. In some cases, early retirement schemes were applied to redundant employees, with retired redundant railway workers receiving an extra retirement payment amounting to up to 14 months' average salary. Normally, they are entitled to the standard amount of one month's salary.

Additionally, dismissed railway workers were able to retain non-financial benefits such as extra low rail fares for five years after the termination of their employment. The public authorities did not directly finance these payments.

The restructuring of ŽSR was an exceptional case in which massive dismissals as well as extraordinary financial compensations took place, recognising that railway dismissals were a sensitive political issue at the time, with a real threat of industrial action.

### *Financial support to companies*

Financial support aimed at compensating the company for the social impact of the restructuring was not provided to ŽSR. However, the company had been subsidised by the state for a long time in order to cover its operating losses. Interestingly, how these subsidies were used has not been specified by the government and ŽSR. Moreover, during the initial stage of restructuring, the Slovak government took on the debts of ŽSR. Such financial support to a company undergoing restructuring is rare.

### *Job creation measures*

Government departments, public employment offices and the ŽSR management did not undertake any special initiatives in order to support the re-employment of redundant workers in other enterprises outside the railway sector, and no financial resources were allocated for this purpose. Neither were special efforts made by the public employment authorities in terms of local or regional development strategies during the restructuring period.

### *Outcome*

Efforts to minimise the impact of restructuring were successful in reducing the negative social impacts of organisational changes on dismissed employees, but did not contribute significantly to their re-employment in national or regional labour markets. According to the trade unions, this could be blamed on the lack of a comprehensive strategy with respect to the re-employment of dismissed workers.

The restructuring that took place helped ŽSR to survive for several years more, during which time it continued to make losses until 2007 when it recorded a profit of SKK 18.9 billion (€629,357). However, one negative effect of the restructuring was a reduction in the level of vocational education and training provided by ŽSR, and the railway trade unions association report that there are now further threats of job cuts.

## **Finland: UPM**

In March 2006, the Finnish pulp and paper manufacturer **UPM** announced a restructuring programme designed to improve its profitability. This affected all of its Finnish installations but included the closure of paper mills in Voikkaa and Kymi in the area of Kuusankoski in southern Finland.

After two months of negotiations between the company and its employees, the company announced in May 2006 that, 672 of its 25,000 employees would to be made redundant, with a further 1,885 employees expected to retire or offered early retirement.

### *Advance warning and consultation*

The information about impending job cuts was communicated in accordance with national laws and regulations. The Employment and Economic Development Centre of southeastern Finland and local employment offices were given the information about UPM's restructuring plans in March 2006, a week before the negotiations with staff at UPM's local units commenced.

Employers making redundancies are legally obliged to negotiate a plan of action with employee representatives concerning aspects such as the timetable for the negotiations, the course of action the employer intends to follow to mitigate the planned redundancies, notice periods, and the use of public employment services for promoting job seeking and training.

The personnel and the local employment office were informed at least five days before the beginning of negotiations, which started in mid March 2006. The local employment office consultation lasted until November 2006, even though the personnel negotiations concerning direct dismissals ended in May. This was, and is, a typical timetable for advance warnings concerning personnel negotiations and restructuring cases in Finland.

According to a representative of the Employment and Economic Development Centre of Southeastern Finland, no alternative strategies were seriously considered by UPM. However, advanced consultations allowed the centre and the local employment offices to start planning re-employment and other measures.

The UPM case was the first big restructuring case in Finland entailing a high level of redundancies. The advance warning has not changed the willingness of companies to engage in consultation, nor has it significantly changed the total amount of planned redundancies. However, the level of expertise available regarding the development of alternative strategies for re-employment have increased within local economic development centres.

### *Support to workers*

According to UPM's HR manager, the actions taken by the company were quite extensive. UPM started a 'From job to job' programme in May 2006 for the 672 workers dismissed, in order to minimise the impact of redundancy. Redundant employees were prioritised when filling vacancies, bearing in mind that reasonable levels of retraining might be necessary to meet new job requirements.

The company planned to cover the costs of internal retraining and to provide a settling-in allowance equal to one month's remuneration if the new job requires relocation. UPM also supported the re-employment training of the persons made redundant, with €600,000 set aside for costs of retraining, amounting to up to €2,000 per person.

A permanent information desk was provided by the local employment office at the Voikkaa and Kymi paper mills, and UPM also encouraged its employees to create new businesses by offering start-up support. Maximum support per business was €10,000 in addition to grants for new business plans offered by the local employment office.

UPM also contributed to the training costs of ex-employees with the shipbuilding company [Aker Yards](#) even if the employees concerned started retraining at Aker Yards before the closure of the notice period. UPM also signed a letter of intent under which [Empower Plc](#) – one of the largest service providers in energy and telecommunications in Finland specialised in forest industry maintenance – would employ 50 to 100 redundant UPM Voikkaa employees. None of the employees dismissed from the Voikkaa or Kymi mills availed of the possibility to join Aker Yards but, by the end of November 2008, some 80 ex-employees of UPM were employed by Empower Plc.

### *Financial compensation paid to workers*

No additional payments were made to workers, in addition to employment allowance. However, UPM financed pension schemes to the value of €40 million. In the end, some 1,885 employees moved into retirement or availed of pre-retirement options. The Finnish government made a supplementary budget concerning the UPM case, but no details were given. This is typical of the type of financial compensation paid out to those affected by restructuring in Finland.

### *Financial support to companies*

No financial support was given to the company.

### *Job creation measures*

At the beginning of April 2006, the Employment and Economic Development Centre of Southeastern Finland set up a ‘Re-employment Workshop’, and a separate ‘New Jobs to Kuusankoski’ (KUTU) project was set up in June of the same year. This project aimed to promote entrepreneurship, encouraging enterprises to expand their activities to Kuusankoski, and to facilitate other activities.

Even though the local authorities were not able to reduce the scale of job losses, they were able to play a significant role in improving employees’ chances of finding alternative employment through training, trainee work and other measures. UPM also cooperated with the employment authorities and private recruitment agencies in order to find jobs for those workers who had been dismissed. Furthermore, the company negotiated with various companies planning to set up business at the Voikkaa mill site.

### *Outcome*

By December 2006, when salary payments ended for the dismissed workers, a total of 454 UPM Voikkaa ex-employees had found some kind of solution, whether it was re-employment, retirement or vocational training. A total of 380 workers had found a new job or entered vocational training, and 74 employees had joined the retirement scheme.

In addition, UPM was providing financial support to entrepreneurial start-ups for 10 applicants, and was also able to find new companies to set up businesses at Voikkaa mill premises. Empower Plc hired 80 Voikkaa employees, some of whom worked in its new unit offering forest industry maintenance services based at the Voikkaa mill site. Also, a storage services company, [Kouvola Cargo Handling](#), hired 15 ex-employees.

## **Sweden: Volvo Cars**

In June 2008 and then in October of the same year, the Swedish automobile company [Volvo Cars](#) announced restructuring plans concerning its sites in Gothenburg on Sweden’s southwest coast, Olofström in the south and Skövde in the southwest of the country. The aim of such measures were to reduce the company’s workforce from 24,000 to approximately 20,000 workers.

The reason given for the downsizing in June was the low value of the United States dollar (USD) combined with rising raw material prices. Then, in October, as a result of the global financial crisis and weakening sales figures, Volvo was forced to reduce its production yet again. The first dismissal notice became effective between October and December 2008. The second notice has still to take effect.

### *Advance warning and consultation*

Volvo recognised in the early stages that it would need to discuss its restructuring measures with the trade unions and labour market agencies such as the outplacement foundation TRR Tygghetsrådet and the Public Employment Service ([Arbetsförmedlingen](#)). Preliminary discussions focused on how to minimise the effects on the workers, which sites would be affected and future prospects. The ongoing business plan, which was in progress before the restructuring began, was also a topic of discussion during preliminary negotiations, even though the decision to restructure was entirely the responsibility of Volvo. However, according to TRR, Volvo has always been open to suggestions and willing to share information on the restructuring measures.

The Union of Metalworkers ([IF Metall](#)) was officially informed of the number of workers likely to be affected at the time of the public announcement. However, since the trade union was already actively involved in board-level discussions, the restructuring did not come as a surprise. Discussions were initiated shortly after the restructuring was announced and have been ongoing since the end of July 2008. Now that employees have started to leave the company, the consultations will focus on how to minimise the impact on those who become unemployed.

### *Support to workers*

Volvo and the Public Employment Service have worked closely together in order to provide support and guidance for redundant workers, with TRR involved on behalf of Volvo. Companies pay a fee to the TRR fund which is used for support measures, and [StartKraft](#) – owned by TRR – ensures that each employee receives a job coach who assists them, whether they are looking for a new job, wanting to study further or hoping to start up their own business.

Volvo has also made efforts to retain employees within the company, with 45 employees taken on at a newly established centre. A one-year education package, financed by Volvo, has been also offered to about 160 workers. With a focus on industrial production, the package was expected to start in March 2009. Help has also been provided for senior executives wishing to work elsewhere.

The main objective of the restructuring has been to offer redundant workers support in finding other suitable jobs. IF Metall and the other trade unions have been available to the workers for support and guidance throughout the whole process, particularly during the final weeks before they leave the company. Meetings have also been held between Volvo, the trade unions, the Public Employment Service, TRR, Startkraft and the municipalities in the region in order to share information and knowledge.

The Public Employment Service has set up a local office with career guidance counsellors at the Gothenburg factory and has arranged meetings with companies looking for new staff. Volvo, on the other hand, has provided contact persons and rooms at the factory for the counsellors to use.

### *Financial compensation paid to workers*

According to IF Metall, the negotiations resulted in several financial compensation agreements. Some 160 redundant workers, who are older than 57 years of age, will receive contractual pensions. They were invited to an information meeting in January 2009 where the company and the trade unions explained how their pensions worked.

Others will receive a one-off payment, dependent on their level of earnings and length of service to the company. This payment is only given in cases of redundancy, and amounts to between SEK 26,000 (€2,421) and SEK 39,000 (€3,631). These payments are financed by Volvo through in-house employment taxes.

### *Financial support to companies*

The Swedish government announced a crisis package for the car industry in December 2008, consisting of promises of research and development (R&D) funding as well as loan guarantees. Volvo has applied for financial help through these programmes, although nothing has yet been concluded since Volvo is an American-owned company.



### *Job creation measures*

In October 2008, the government appointed two regional coordinators in the Västra Götaland County on the country's western coast to coordinate the measures to combat unemployment following the Volvo restructuring, including its impact on subcontractors. In December, the government announced an additional crisis package – apart from a national crisis package – for the Västra Götaland County and the car industry. The package provides a grant of SEK 28 billion (€2.6 billion) to the car industry, and consists of both R&D funding measures, as well as state credit guarantees for raising loans from the [European Investment Bank \(EIB\)](#).

The Public Employment Service provides support for job creation measures at the local level and, in the case of Volvo, has worked with StartKraft since negotiations began. More generally, the [Västra Götaland Regional Council](#), [Business region Göteborg](#), the Göteborg Region Association of Local Authorities ([Göteborgsregionens kommunalförbund, GR](#)) and the Swedish Social Insurance Agency ([Försäkringskassan, FK](#)) are working together to address the situation in the region.

### *Outcome*

It is too soon to assess the outcomes and consequences of the restructuring at Volvo. The company itself is in a very difficult position, and the prospects for next year do not look good. The company is doing what it can to maintain production and save the jobs of its employees, but the only real way to save money at the moment is to cut staff costs.

A representative of the Public Employment Service believes that the career guidance counsellors are doing all they can to help the unemployed workers but, given the global economic situation, there is no guarantee that all redundant Volvo employees will find new jobs. Despite the dark prospects, all of the parties involved in the process agree that the level of cooperation has been excellent and that everything possible is being done to minimise the negative impact on workers and the economy.

### **UK: Northern Rock**

In March 2008, the British bank [Northern Rock](#) announced a restructuring of its business that would ultimately have consequences throughout the UK. The origin of this move was the forced nationalisation of the bank by the UK government in February 2008 as a result of Northern Rock's extreme financial difficulties due to its involvement in the collapsed US 'sub-prime' mortgage market.

The bank will receive about GBP 25 billion (€27.7 billion) in financial support and guarantees from the UK government, which are intended to return the company to a 'break-even' position by 2011. The company originally employed 6,500 employees, but the number of employees has been reduced to 5,200 workers.

### *Advance warning and consultation*

Consultations were carried out in accordance with UK law, which states that, where a company intends to make 100 or more employees redundant, it is obliged to engage in at least 90 days of collective consultations with trade unions or elected employee representatives. This process must be completed before individual notices of dismissal can be given to employees. Furthermore, employers are legally bound to conduct a consultation that is meaningful, and not to merely inform the workforce of the proposed changes.

The consultation started in May 2008, four months before the majority of the job losses were implemented in September 2008. Formally speaking, the management at Northern Rock, the trade unions and certain elected employee representatives have been involved in these consultations. However, the Northern Rock Response Group – a task force established in the wake of the announcement of the job losses to support affected areas and workers, and also involving the local public authorities and employers groups – may also have been involved in the consultation process.

The topics discussed are said to include the notification of the redundancies, the commercial situation of the company, the selection of volunteers for voluntary redundancy, the planning of individual

consultation meetings and the retraining or placement of affected employees in alternative work – all in line with legislative requirements.

At the end of July 2008, when the consultation process ended, Northern Rock announced 1,300 job losses, rather than the 2,000–2,500 cuts initially foreseen. However, it is not clear to what extent this reduction in job losses resulted from the consultation process.

### *Support to workers*

Local public authorities and potential employers were very much involved in the work of the Northern Rock Response Group, with business groups as well as public agencies all directly involved. Trade unions were also involved in the support offered to workers in the 90-day consultation process.

Advice was given to individual workers on the options available to them, including retraining and employment opportunities with other companies in the region.

Several other measures were provided by the taskforce to help affected workers. These included: the development of an exclusive website for Northern Rock staff featuring relevant job vacancies; ‘drop-in’ centres where staff had access to information on employment and benefits information; the organisation of job fairs in affected localities; the provision of ‘one-to-one’ counselling for affected workers; a telephone line where experts gave advice on employment; and advice on retraining or setting up a new business. Furthermore, several large individual employers were contacted directly by the taskforce.

The support offered by Northern Rock during the statutory consultation period, including the development of local taskforces in response to the expected job losses, would appear to be in line with what typically happens in such cases in the UK.

### *Financial compensation paid to workers*

No precise information is available concerning the redundancy payments received by the workers affected. However, in August 2008, Northern Rock indicated a cost of GBP 37 million (€41 million) for redundancies, payments in lieu of notice and outplacement services as part of the restructuring of the business.

In the UK, the statutory level of redundancy pay is half a week’s pay for each year of full service for those under the age of 22 years, one week’s pay for each year of full service for those aged between 22 and 41 years, and 1.5 weeks’ pay for each year of full service for those over the age of 41 years. Employees must have been employed for at least two years to qualify, and the maximum number of years that can be taken into account is 20 years. These costs are met by the UK public authorities.

### *Financial support to companies*

The nationalisation of Northern Rock in February 2008 was the first nationalisation of a bank, or any other enterprise for that matter, by the UK public authorities for decades. In this sense, the intervention of the UK public authorities was unprecedented. The balance of public debate concerning support for companies in financial difficulty appears to be heading in a more interventionist direction. This is, no doubt, partly a result of the case of Northern Rock, and it is also attributable to widespread public and political concerns about job losses across the economy.

### *Job creation measures*

There is a coherent regional development strategy in the northeast of England where the company headquarters are based. The main organisation that formulates and executes this strategy is [NorthEast England](#), one of a series of publicly-financed regional development agencies (RDAs). NorthEast England’s goals are stated as being to accelerate economic growth and regeneration, to promote business growth and efficiency, to generate new jobs and to develop workforce skills.

Several initiatives were taken by NorthEast England in response to the restructuring at Northern Rock as part of their work with the Northern Rock Response Group, all of which were intended to create new jobs in the area.

Although such initiatives are not new, they were specifically adapted to address the Northern Rock case. Given the apparent trend towards greater economic interventionism by the UK public authorities, it seems likely that more effort will be put into developing regional development strategies in the coming years.

### *Outcome*

No data exists on which to judge the success of the measures taken to date. However, it is thought that the consultation process conducted by the company with the trade unions could have had the effect of saving 700–1,200 jobs at Northern Rock.

### **Norway: StatoilHydro ASA**

In December 2006, a prospective merger between the Norwegian oil company Statoil ASA and the oil division of Norske Hydro ASA was announced ([NO0701019I](#)), becoming effective in October 2007. This merger meant, however, that the new company – [StatoilHydro ASA](#) – had overlapping units in Norway and, as part of the process of integrating the two companies, a major restructuring took place involving a demerger of the Norsk Hydro oil division from Norsk Hydro, and a takeover of the demerged unit by Statoil.

A restructuring of the offshore offices across Norway was announced in January 2007. Of the 31,000 employees of the two companies worldwide, about 2,500 white-collar workers were to be made redundant, although the aim was to achieve this downsizing without dismissals.

### *Advance warning and consultation*

Discussions with trade unions in the two merging companies started immediately after the first restructuring announcement was made in January 2007. Trade unions at a local level – with some participation from national level unions – were closely consulted, and provided with extensive information, throughout the process. This covered both the principles of the restructuring – such as no dismissals, voluntary change of position and/or geographical movement, equal treatment of employees from the two companies – and the 'integration process' by which the two company organisations were merged and a new organisational structure developed, including the harmonisation of wages and working conditions, as well as geographical structure.

The two merging companies set up an ad-hoc project body responsible for the integration and restructuring process. Eleven different trade union bodies were represented in the integration project and in the ad-hoc teams and working groups set up to design the new organisational structure of StatoilHydro.

In addition, the trade unions in the two merging companies set up a cooperative body in order to coordinate their efforts and their positions, and to pool information. The trade unions were also able to draw on the advice of legal experts and employ other types of external assistance – all paid for by the employer, in line with the terms of the private sector Basic Agreement.

In March 2007, it was announced that no dismissals would take place and that downsizing would be achieved by offering employees early retirement – on a voluntary basis – and by employing fewer consultants and external staff. As a result, the public authorities were not directly involved in the process. Nevertheless, the merger was discussed with the government as both Statoil and Hydro were partly state-owned companies and debated in parliament, and the arrangements for consulting employees and trade unions formed part of the plans presented to the Ministry of Petroleum and Energy ([Olje- og energidepartementet](#)), as well as referred in the white paper presented by the government to the Norwegian parliament (*Stortinget*) ([St.prp. nr. 60 \(2006–2007\) Sammenstilling av Statoil og Hydros petroleumsvirksomhet](#)). In addition, the Petroleum Safety Authority Norway ([Petroleumstilsynet](#), [PSA](#)) was consulted on issues relating to health and safety and the offshore environment.

The restructuring process took place with very little conflict, and the trade unions have expressed satisfaction with their role and influence. It is normal for large companies with strong trade unions and traditions of union cooperation to engage in extensive union consultation during restructuring, but

StatoilHydro can be seen as a special case given that the trade unions have a particularly strong influence.

### *Support to workers*

StatoilHydro contributed to retraining costs in order to help employees find alternative positions in the company. However, most employees obtained a new post without having to change their job, and the great majority received their first or second priority choice.

A number of the workers who chose to take early retirement obtained other jobs (in a period when the labour market was very strong), but StatoilHydro did not provide any assistance in this respect. Advice and guidance regarding the options open to them was, however, provided to employees through staff meetings.

The trade unions also provided information and gave advice direct to their members since they were heavily involved, not only in negotiating the economic terms and conditions of the restructuring, but also in encouraging existing employees to show an active interest in the new jobs available in StatoilHydro.

### *Financial compensation paid to workers*

Employees who had chosen voluntarily to move or commute received financial compensation, and those who left on early retirement received 70% of their current wages until the age of 67 years. Early retirement will not influence their future pensions, as the pensions will remain the same as if the workers had continued to work at StatoilHydro. Moreover, taking up a new job will not affect any redundancy payment, with former employees being paid 70% of their former wages even if they obtain a new job. These payments are financed by the company itself.

The StatoilHydro redundancy payment packages for those taking early retirement were considered very generous and labelled 'gold packages' with 85% of eligible employees accepting the offer. Thus, about 1,500 onshore employees aged 58 years or over left the company on early retirement. A second phase of restructuring began in 2008, dealing with offshore and industrial operations, which will no doubt add to these numbers.

It is not uncommon for companies to seek to achieve the necessary downsizing through voluntary departures, and early retirement is a measure widely used in such situations.

### *Financial support to companies*

No financial support was provided to the companies to assist them in reducing the scale, or minimise the effects of, restructuring on workers and the local community.

### *Job creation measures*

Regional and local development plans exist in most municipalities. With regard to this particular restructuring case, the local authorities in Oslo in the southeast and Stavanger in southwest Norway lobbied for jobs in their region. Stavanger also lobbied to keep the headquarters of the merged company in the city.

No new employment initiatives were taken as a result of the restructuring because the downsizing was achieved through early retirements without resorting to dismissals. On the other hand, a number of businesses were interested in recruiting the employees who left StatoilHydro, especially since the restructuring took place at a time when the labour market in the Stavanger region – as well as the Oslo area – was tight, and there was a high demand for technical staff.

This situation is probably atypical in that the downsizing process was relatively unproblematic from a local labour market perspective, and the local authorities did not have to undertake additional measures. In other cases where substantial numbers of dismissals take place, local authorities would normally try to cooperate with local employers and/or central-level authorities in order to create new jobs. There is no evidence to suggest that such strategies have become more or less common over time, but the public authorities will probably be more active in a situation where there are fewer jobs available.

### *Outcome*

The decision that all personnel moves relating to the merger should be voluntary contributed significantly to the positive outcome of this restructuring exercise. To date, there have been no reports of adverse effects on the company involved, although the process is still not finished. However, one possible longer-term concern might be that the company lost a great deal of its 'know-how' when so many of its experienced employees left at the same time.

John Morley and Terry Ward, Applica

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