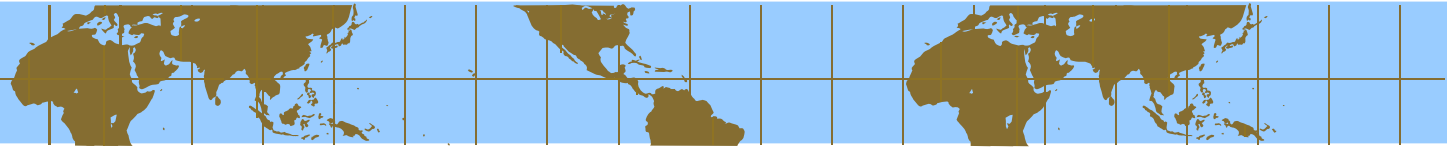


How to deal with restructuring ?

Ways to better change management
Final conference of the project Network ProMCR
Ljubljana, 18 December 2012

Christian Hess
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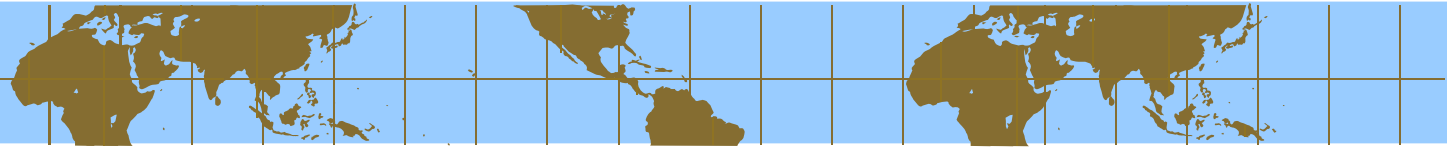


What is meant by restructuring ?

Diverse meanings – here: focus on enterprise restructuring

Definition:

- the act of reorganizing the legal, ownership, operational, or other structures of an enterprise
- to make the enterprise more viable, competitive, profitable or to address a crisis situation (downsizing)
- with an impact on employment and/or working conditions



Need for more balanced perception

Restructuring is too often seen as only negative as it frequently involves job loss or deterioration of working conditions ...

... however adaptation, including restructuring is a precondition for sustainable enterprise and hence maintenance/creation of jobs in a market economy

... refraining from or procrastinating necessary restructuring has even more negative effects.



The International Labour Organisation (ILO)

UN agency specialized in labour and social matters:

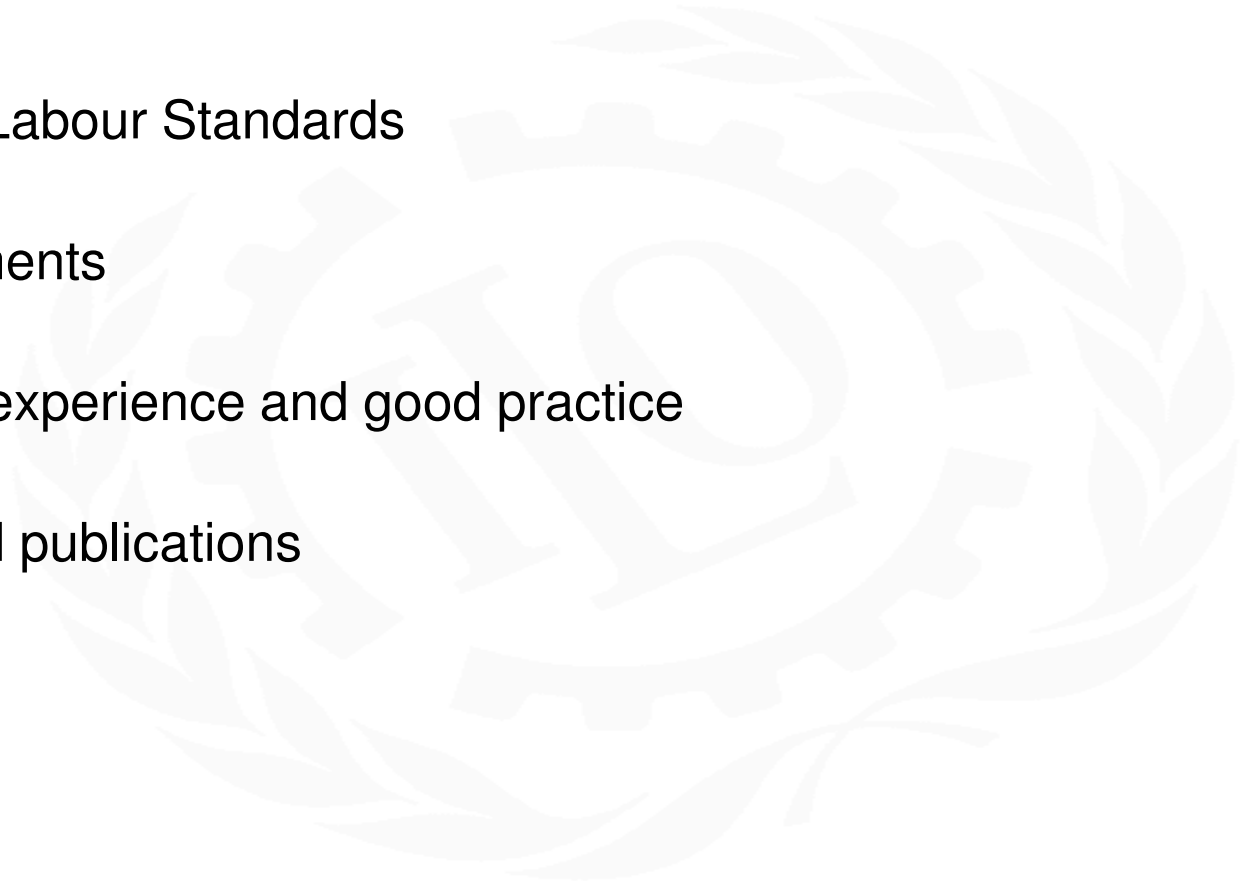
- Membership: presently 185 countries
- Secretariat: headquarters in Geneva (including ACT/EMP); field offices in more than 40 countries all over the world
- Main organ: International Labour Conference, convened every year in June in Geneva
- Main activities: adoption and supervision of International Labour Conventions and Recommendations; programme of technical cooperation with member States on labour and social matters
- Tripartism: governments, employers and workers are represented and co-operating in all ILO organs and activities; ILO is the only tripartite UN agency



ILO approach to restructuring

Four areas:

- International Labour Standards
- Policy instruments
- Exchange of experience and good practice
- Research and publications





ILO approach to restructuring

International Labour Standards:

- **Conventions and Recommendations**
<http://www.ilo.org/global/standards/lang--en/index.htm>
 - Setting universal minimum conditions regarding various labour and social issues
 - since 1919, 189 Conventions and 201 Recommendations have been adopted

- Many ILO standards relate to restructuring, to mention just two:
 - Termination of Employment Convention, 1982 (No. 158)
 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)



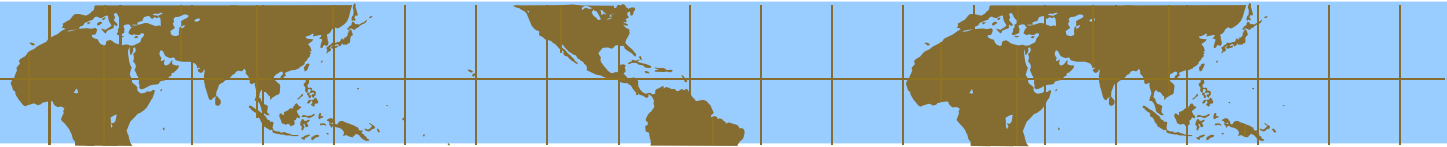
ILO approach to restructuring

Policy instruments:

■ The Global Jobs Pact

<http://www.ilo.org/jobspact/lang--en/index.htm>

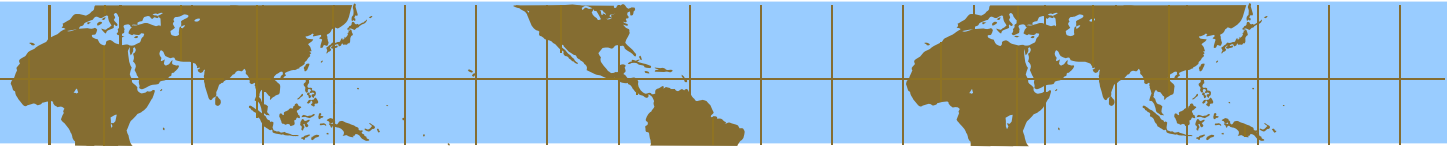
- ◆ Adopted by the International Labour Conference in 2009 as a response to the global economic and financial crisis
- ◆ Contains framework for national policy packages to address rising unemployment owing to the crisis
- ◆ Complemented by ILO programmes to help countries implement it
- ◆ Quotation: “... responses may include: ... (4) limiting or avoiding job losses and supporting enterprises in retaining their workforce through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefits.”



ILO approach to restructuring

Exchange of experience and good practice

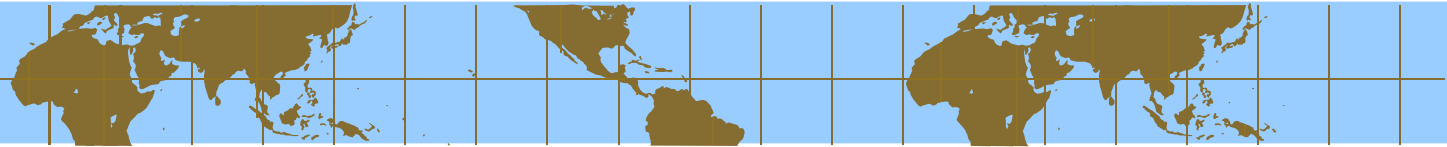
- Tripartite Meeting on Promoting Social Dialogue on Restructuring and its Effects on Employment in the Chemical and Pharmaceutical Industries, October 2011
http://www.ilo.org/sector/activities/sectoral-meetings/WCMS_160744/lang--en/index.htm
- ILO European Regional Meeting, Oslo, 2013
<http://www.ilo.org/public/english/region/eurpro/geneva/what/events/oslo2013/index.htm>



ILO approach to restructuring

Research and publications

- Restructuring for corporate success – A socially sensitive approach, 2005
http://www.ilo.org/public/libdoc/ilo/2004/104B09_38_engl.pdf
- Restructuring enterprises through social dialogue: Socially responsible practices in times of crisis, 2010 http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_158362.pdf
- Transnational company agreements on enterprise restructuring, 2010
http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_158625.pdf
- Socially Sensitive Enterprise Restructuring in Asia – Country Context and Examples, 2007
<http://www.apo-tokyo.org/publications/files/ind-21-sser.pdf>



Restructuring from an employers` perspective

- How to anticipate restructuring
- How to manage restructuring





How to anticipate restructuring

Possible measures:

- Flexible legal/policy framework
 - ◆ allowing diverse forms of employment
 - ◆ encouraging positive attitude towards change
- Efficient labour market support infrastructure
 - ◆ unemployment insurance
 - ◆ Job-matching services, jobs counselling
- Flexible working time regulation/arrangements, including working time accounts
- Regular skills updating/further training
- Establishment of process for efficient communication with stakeholders on change
- Accumulation of capital resources to finance restructuring



How to manage restructuring

Possible measures:

- Voluntary redundancies
- Early retirement
- Discontinuation of fixed- term employment and employment agency work
- Working time reduction and partial unemployment benefits (“short-time work”), combined with skills update
- If it cannot be avoided, termination, but combined with internal/external assistance for job search or self-employment/business creation



How to manage restructuring

Short-time work (“Kurzarbeit”) in Germany:

- What is it ?
 - ◆ Reduction of working time/pay to avoid job cuts
 - ◆ Partial unemployment benefits replace some of the wage reduction

- Some figures:
 - ◆ GDP decline in 2009: 5.1 %
 - ◆ Numbers of short-time workers: 1.7 Mio in spring 2009 (presently: 44.000)
 - ◆ Estimated number of jobs saved: 300.000
 - ◆ Costs: 4.7 Billion Euro (in 2009)
 - ◆ Use by enterprises: 17 % of all enterprises
 - 41 % - 50 – 249 workers;
 - 55 % - 250 and more



How to manage restructuring

Short-time work (“Kurzarbeit”) in Germany:

- Mainly advantages ...
 - ◆ for workers: keep their jobs and social security entitlements; free time (under certain conditions)
 - ◆ for employers: reduction of staff costs; keep qualified staff; avoid costs of lay-off (severance pay; social plan) and later reinstatement

- ... and some minor disadvantages
 - ◆ for workers: reduced pay and possibly (slightly) reduced pension entitlements;
 - ◆ for employers: reduction of staff costs not fully proportionate (fringe benefits in collective agreements)



How to manage restructuring

Short-time work (“Kurzarbeit”) in Germany:

■ Note:

- ◆ Short-time work suits itself only for addressing temporary restructuring needs, not for problems of a long-term or structural nature
- ◆ Short-time work involves funding
- ◆ Short-time work seems less suitable for small businesses



To sum up

To be kept in mind:

- need to address restructuring in a realistic, constructive and responsible manner
- key is trust between social partners and efficient support by public authorities
- entrepreneurial freedom needs to be recognized: delaying necessary restructuring unduly or making it unduly costly will fire back on investment and job creation
- focus in restructuring should shift from job protection to employability (flexicurity concept)
- win-win situations or smart compromises should be aimed at
- No one-size-fits-all approach - SMEs need to be given particular attention and special support



The end

Thank you for your attention !

