

European Principles for action Preparing and managing restructuring for a sustainable future

An IRENE network proposal

Preamble

The IRENE network brings together a group of practitioners, experts, academics, consultants and social partners on restructuring in Europe, who created a learning network both internally and externally. Our shared experience leads us to assert common positions on the way restructuring should be carried out in a socially responsible way enabling a sustainable future for both businesses and people.

The recent financial and economic crisis has accelerated the process of already long lasting restructuring processes in Europe. Globalisation, demographic trends, technological innovations and new challenges related to climate change makes restructuring a permanent adaptation phenomenon. It has a triple effects on companies, workers and territories daily life,:

- it contributes to create new opportunities of development and progress and new jobs
- it is associated for many Europeans with negative social consequences and heavy human costs
- it has sound impacts on economic structures and competitiveness as well as people's employment, health and ways of life.

Our own experience as well as many existing analysis show that restructuring practices in Europe remain very reactive and many of them do not appear to pave the way for a sustainable future. Main weaknesses of restructuring models in Europe are:

- lack of preparation and anticipation as well as lack of capitalisation upon experiences;
- unbalanced approaches between restructuring in large companies, which attract most resources and attention from main actors and "silent restructuring" which affect mainly SMEs with poor resources and operational tools;
- unequal access to professional transitions and support measures among employees and among companies and still unconvincing active labour market measures;
- limits of company based approaches, either because restructuring may be rooted outside companies own decisions or because companies do not have enough resources to tackle restructuring in a sustainable way;
- narrow concepts of employment and employability which do not take into account people needs and resources.

Many years of common work involving more than 200 case studies at national, sector, territorial and company levels, multiple workshops and meetings with social partners, policy makers and various experts in restructuring across 27 Member States brought us to issue those **European Principles for action**.

Key words of these Principles are: Legitimacy, efficiency, dialogue, justice and accountability. Indeed, European societies, companies and citizen need more innovative approaches to restructuring in terms of social dialogue frameworks, stakeholders involvement, people's say, transition tools, support and sustainability.

Therefore these European Principles for action - Preparing and managing restructuring for a sustainable future - consist in seven main commitments

- **Preparing a sustainable future**
- **Promoting an efficient, enlarged and innovative social dialogue on restructuring**
- **Taking into account local communities and promoting a multi-stakeholder dialogue**
- **Ensuring fair and consistent professional transitions for all**
- **Taking into consideration the health dimension of change and employment**
- **Promoting financial responsible management of restructuring**
- **Learning from restructuring experience**

They are completed by twenty recommendations taken from our main outcomes as well as from other papers already issued by European public authorities, social partners or experts. They aim at making existing EU frameworks of whatever nature - legislation, social dialogue or voluntary commitments and practices – fit to face structural change in a more effective way. They are directed to all, companies, workers and their representatives, public authorities, consultants and citizen. They call each of them to build consistent dialogues and partnerships and to move towards more innovative and sustainable restructuring practices.

Main commitments and recommendations

1. Preparing a sustainable future

Strategic and operational anticipation of restructuring have been emphasized throughout Europe as basic conditions to face structural change as well as to maintain or develop global competitiveness. But this goal remains far to be achieved. It requires from all interested parties a new look at restructuring in terms of job creation and skills, of sustainable development and of impacts along the value chain.

Recommendations 1, 2 and 3:

- It is crucial to look at both job creation and job destruction. Therefore preparing people to new jobs and new skills, appropriate and target use of vocational training, support for professional and geographical mobility should be part of new transition rights and duties.
- SMES and sub contracting companies deserve a special attention from bigger companies but also from public authorities and social partners. Supporting them, making training and social measures accessible to them should become a high priority.
- Anticipation, early warning as well as consistent and timely information and consultation must be systematically seek when restructuring may or should happen. Stable mechanisms for achieving those goals have to be set up¹.

2. Promoting an efficient, enlarged and innovative social dialogue on restructuring

Social dialogue based on trust and transparency needs to be efficient. But often it takes place mainly in large companies, leaving aside the situations and problems of many workers affected by restructuring in small and medium size companies and sub-contracting firms. Therefore social dialogue should be enlarged, deepened and renovated in order to better address structural change and cover the diversity of restructuring.

Recommendations 4 and 5:

- New frameworks and channels of social dialogue need to be set up or renewed to in order to go beyond large companies levels and to be coherent along the value chain². Cross sector, sector, territorial frameworks and agreements should be promoted: they are key to cover small and medium size companies affected by restructuring.

¹ AS mentioned by EU Communications on restructuring, EU social partners orientations of reference, EU legislation and several European reports (MIRE, AGIRE, IRENE...)

² Mentioned in OECD The role of social dialogue in mitigating effects of restructuring: guidelines for multinational enterprises, 2000

- Existing agreements, especially at sector level, should include innovative provisions to better tackle structural change and accompany restructuring processes³

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

The impacts of restructuring go often beyond companies' borders and directly affect sectors and local communities. Therefore it is necessary to open the partnership to relevant stakeholders in order to take into consideration the community dimension of the restructuring process. Involving relevant stakeholders, private or public, and organising strong partnerships and mechanism of co operation, beyond the company borders represents a condition to commonly find solutions to mitigate the effects of restructuring on the community.

Recommendations 6, 7 and 8:

- Multi stakeholder dialogue can be reached by promoting shared diagnosis among local and regional actors⁴
- Complementarities, synergies and common guidance on the way to manage restructuring could be elaborated by local and regional actors⁵
- The organisation of a task force on restructuring at sector and/or territorial level could facilitate the synergies and enable actors to better tackle structural change.

4. Ensuring fair and consistent professional transitions for all

Despite EU and national standards, consultation and information take place too late and remain too formal. Timely and consistent processes should enable workers and their representatives to have a real say. For individuals, fair communication, procedures and equal treatment should be ensured, for those who will leave the organizations as well as for those who will stay. Employment measures along the restructuring process are often developed by companies and labour market actors in order to promote employability and adaptability of the workers. But such measures need to address all workers without discrimination on a tailor made basis; they need to prevent dismissals, and, in case of job losses, access to job to transition must be guaranteed to all whatever their status, the type of companies or the characteristics of individuals.

³ As mentioned in the ARENAS 27 National Seminars on Anticipating and Managing Restructuring, section "Sectors and restructuring: towards renew approaches?"

⁴ Mentioned in the Communication of the Commission: "Restructuring and employment: anticipating and accompanying restructuring in order to develop employment – the role of the EU", 2005. Underlined in the background paper for the EU Restructuring Forum Investing in well-being at work: Addressing psychosocial risks in times of change , 2010.

⁵ Mentioned in EU social partners "Orientations of reference in managing change and its social consequences ", section 4.Territorial dimension, 2003

Recommendations 9, 10, 11 and 12:

- Individual and timely communication must be guaranteed to every worker as well as a possible say for each person⁶.
- Forced dismissals must be considered as the last resort in a process of restructuring⁷.
- Access to job to job transition via public and private services should be developed and guaranteed to all workers. The specific situation of contingent and temporary agency workers should be taken into consideration in order to ensure an equivalent support in terms of job transitions⁸.
- European directive (collective redundancies, etc..) should be revised in order to integrate the various forms of contracts' termination (open ended, fix-term, temporary..)⁹

5. Taking into consideration the health dimension of change and employment

Manifold evidence has not only shown that restructuring was detrimental to health before, during and after the restructuring process but that leaving aside the health dimension can also be detrimental to the recovery of the company. Therefore the various dimensions of the individual health but more generally also well-being of the workers (both managers and employees) have to be taken into account and people supported before, during and after restructuring.

Recommendations 13, 14 and 15:

- Preserving the health of the European work should become an objective of public and corporate restructuring policies.
- Restructuring and reorganisation process in companies should lead to health impact assessment¹⁰.
- Diseases linked with restructuring and reorganisation process might be recognised as occupational diseases¹¹.

⁶ Mentioned in EU social partners "Orientations of reference in managing change and its social consequences ", section 2.Explaining and giving the reasons for change, 2003

⁷ As it exist in most national legislation or case law and as underlined in IRENE report, 2008

⁸ As mentioned in the ARENAS 27 National Seminars on Anticipating and Managing Restructuring, section "groups at risk" , section "redeployment and transition tools, 2010. See also national practices like Work foundations (Austria), contract of Professional Transition (France), Transfer companies (Germany), Regional mobility centres (The Netherlands), or Job security council (Sweden).

⁹ As mentioned in the ARENAS 27 National Seminars on Anticipating and Managing Restructuring, section "Regulatory frameworks"

¹⁰ As mentioned in the background paper for the EU Restructuring Forum Investing in well-being at work: Addressing psychosocial risks in times of change, section Main areas for action, 2010.

¹¹ As mentioned in the background paper for the EU Restructuring Forum Investing in well-being at work: Addressing psychosocial risks in times of change, section Main areas for action, 2010.

6. Promoting financial responsible management of restructuring

Financial compensations which still get the priority when restructuring occurs must be changes and used for encouraging professional transitions. Restructuring costs for companies, workers and communities and public actors should be framed in order to enable a fair and consistent financial involvement of the different stakeholders: a system of incentives and penalties need to be implemented in order to encourage socially responsible management of restructuring before, during and after the restructuring process.

Recommendations 16 and 17:

- When restructuring occurs, professional transitions should prevail over financial compensations. Legislation, social dialogue and company practices have to address this issue in order to be consistent in investing in the human capital¹².
- The implementation of a system of “no claim bonus and penalty” – as already tested in other fields such as environment – could be applied in the management of restructuring, based on existing commitments taken in the framework of CSR for example¹³.

7. Learning from restructuring experience

Restructuring is recognised as a recurrent and continuous process. But learning from restructuring experiences seems to be very rarely organised. Therefore monitoring of restructuring processes, taking place in private companies but also increasingly in the public sector, and their effects is necessary to create a learning process among the actors involved in such a way that experiences and share diagnosis can contribute to a “virtuous circle” of anticipation of changes and sustainable socio-economic development strategies.

Recommendations 18, 19 and 20:

- Education and training on restructuring for both managers and employees representatives has to be developed and mainstreamed¹⁴
- Companies should deliver a report on “managing change”, assessing their restructuring practices and commitments¹⁵. A tripartite national report on managing change could be elaborated at national level
- Monitoring of restructuring processes throughout the EU and their effects in private or public companies and organisations as well as on communities has to be systematically developed¹⁶.

¹² As mentioned in the ARENAS 27 National Seminars on Anticipating and Managing Restructuring, section “Early retirement and severance payments”

¹³ Schemes widely applied by insurances or by environment fiscal systems

¹⁴ As mentioned in the background paper for the EU Restructuring Forum Investing in well-being at work: Addressing psychosocial risks in times of change, section Main areas for action, 2010. Mentioned also a many EU reports (Managing, change, IRENE, HIRES, etc..)

¹⁵ One of the main recommendation of the Gyllenhammar group on managing change in 1998

¹⁶ This is the role of the European Monitoring centre for change. This role should be enlarged by integrating new instruments and additional experts' networks in restructuring.