

ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

NATIONAL SEMINAR'S MINUTE - ESTONIA -

Introduction

The minutes intends to provide the information on the implementation of the no. 14 event that has taken place in **Tallinn on 20th January 2010**. The purpose is to highlight the key finding issues and the main results of the debate.

1. Background

The National seminar aimed to present and discuss the most important measures and tools for anticipating, preparing and managing restructuring and its effectiveness and transferability.

The NBP was developed taking into consideration the need to identify and describe the relevant existing measures and tools at national and regional level, as well as significant company practices.

2. Participants

The selection of the participants has taken into consideration the need of ensuring an high level profile of the representatives from Public Authorities and Social partners at national and regional level.

No 16 participants attended the seminar coming from the following Organizations/Institutions:

- Ministry of Economic Affairs and Communication (**no.5**)
- Association of Estonian Cities (**no.1**)
- Trade Unions (national and regional level **no. 3**)
- Employers' Organizations (**no. 3**)
- Research Institutes: . (**no. 2**)
- Estonian Unemployment Insurance Fund (**no.2**)
- Representatives from the DG EMPL(**no. 1**) , .Eurofound (**no 1**), have joined the seminar.

3. Activities carried out

The National Seminar has developed the contents and the methods according to the model design of the Agenda.

The first part of the seminars was focused on:

1. the presentation of the EU main policies and programmes on restructuring,
2. the introduction of the overall aims of the project and the objectives of the National seminar.

3.1 Results of the National Background Paper

After the opening session, the key finding issues coming from the NBP were presented by the National expert. The key elements of the presentation were the following:

- ♣Main characteristics of the economy and Employment in Estonia were pointed out.

- ♣ Concerning the features of the existing Restructuring framework in particular was highlighted that the manufacturing sector has suffered more in terms of collective layoffs. Concerning the new sectors, the attention was put on the request of new skills in Green economy.
- ♣ About the transformation of the economic and occupational system recent data and indicators were provided. In particular, it was underlined that in 2008 Estonia reached Lisbon goal in term of Employment rate. In 2009 the rate has seriously gone down.
- ♣ Different aspects of the anticipation process and response strategies to the current economic downturn were described with major emphasis on the key role of the National forecasting survey on new trends and needs of skills. The involvement of social partners and cooperation of local partners is considered a positive factor) . With regard to the forecasting measures on changes in economy, it was said that industrial sector develops some useful surveys but not detailed information and data on skills shortage are available.

During the afternoon session was briefly described the managing restructuring process (phase, procedures, role of social partners, including main challenges).

The existing types of measures/tools for managing restructuring were analysed with a specific focus on the analysis of the strengths and weaknesses. Central measures are divided into Active Labour Market (ALM) and Passive measures: the reform of ALM has increased the level of expenditures for individuals. In terms of weaknesses, it was highlighted that there is not any assessment of the impact of this reform and the participation on ALM measures is quite low. With reference to Passive measures the main subsidy is Unemployment benefit . Last reform has increased significantly the benefit. The main weakness is represented by the absence of any impact assessment of the duration of the benefit. . It is also available a specific measure concerning the support to collective redundancy: this service is funded by ESF. The impact was assessed.

During the crisis funds and benefits are increased but a monitoring system needs to be set up.

All the presentations delivered by the representatives from the EC , National Expert and testimonials from companies can be downloaded from the website of the project in the Country section - Estonia. (<http://arenas.itcilo.org>).

According to the need of stimulating the discussion among the participants on the effectiveness and utility of the existing measures/tools a mix of approaches and methods was applied. In particular ,The participatory sessions were structured into 4 main consequent steps:

- a) debate on specific topics,
- b) open discussion,
- c) brainstorming session
- d) group work sessions (no. 2)
- e) assessment of effectiveness and transferability of the referred measures and tools .

3.2 Round table session (morning)

The debate was facilitated during the Round Table session with the aim to discuss more in depth the following issue : TO WHAT EXTENT EXISISTING MEASURES AND TOOLS ARE SUFFICIENT AND USEFUL TO ANTICIPATE RESTRUCTURING IN THE CURRENT ECONOMIC CRISIS ?

The panel discussion was organized in a first debate around 4 key questions outlined by ITC-ILO and proposed by the moderator: The debate was subsequently followed by the active participation of all the attendants to the discussion on the effectiveness of the existing measures for anticipating restructuring. The main results of this first debate are summarized as follows:

- Among the existing forecasting surveys how do you assess this set of measures/tools? Why, in your opinion and experience?

Long term perspectives: problems are related to lack of sufficient data. There is more information on education. In future there is the need to have short time forecast improvement in collaboration with Employers Confederation. The main question refers to strategy at SMEs' and large scale companies' level for forecasting new trend. SMES are more focused on the need to survive. It is difficult to have a strategy with an impact at national level. It is important that the Government has a own strategy for forecasting changes and needs. Employers and workers are one point of the chain.

Government can do long term perspectives but it is preferable now to work on a short time basis. There are sometimes too many strategies and a lack of coordination.

- Industrial relations and strategic dialogue

Directive on Social Dialogue: today Trade Unions possibilities to intervene during the announcement of crisis are very limited. Trade Unions would like to share with employers information. Sometimes change is perceived as a treat: .There are some collective agreements in Estonia. Trade Unions have a better position than individual workers to influence changes. Example of textile sector: industrial relations can contribute to the analysis of further development. Have Social partners an effective impact at sectoral level or at economic level?

Productivity is an aspect of restructuring, the other one is the economic dimension, ..It is important to link education system with the labour market needs.

- Free of charge adult vocational training in vocational education Institutions.

Enterprises can not force workers to attend training programs because the participation is at individual basis. It is a positive initiative, but the negative aspect is that only people that have a sort of financial support can attend it.

- R&D and investment on innovation are an efficient instrument for anticipating restructuring?

If a company requests some information and data on commercial trends, it is not easy sometimes to start collaboration with Universities. The reason is that there are commercial secrets that don't allow collaborating. What are the reasons that are preventing companies to cooperate and ask advise to Universities?. Different perception on the impact of surveys run by Universities, the fact that sometimes there is the need to react to changes instead of anticipate changes. In recent years Estonian system revealed the need to improve ALM policies. EU funds came to Estonia some years ago and they were in part addressed to Innovation and Employers' have criticized a lot this choice.

During the debate opened to all the participants the following Strengths and Weaknesses have been raised:

Round table no. 1	<u>Strengths</u>	<u>Weaknesses</u>
	Free of charge adult vocational training is a positive measure but limited to workers with a financial support.	Lack of cooperation between stakeholders
	Recognition of the necessity to anticipate restructuring is based on a good legal framework.	Difficult to forecast in long term. Anticipating restructuring at company level is quite rare.
	Use of EU funds for Innovation.	Lack of communication between companies and Universities.
	Agreement on textile sector.	Lack of information on training offer.
		Insufficient cooperation between trade unions employers and the state is a problem that needs to be addressed.

At the end of the debate a brainstorming session on main strengths and weaknesses of the existing Anticipatory strategies in Estonia was organized . The outcomes of the opinions expressed by the participants using metaplan cards are summarized below:

STRENGTH

- Development of social dialogue
- Information and consultation of employees
- Corporate Social Responsibility (CSR)
- Opening of the markets (with accession to EU)
- Labour force mobility
- European Social Fund resources
- Cooperation between different labour market parties
- Tools to implement planned actions retraining
- The EUIF and its measures
- The awareness of problems such as the decrease in employment rate
- Employers use flexible working hours, part-time work or job sharing and also retraining. The objective is to maintain jobs and not make employees redundant in difficult times; finding alternatives to redundancies.
- Many useful measures- adult education, accrediting prior experiential learning, measures for the support and development of businesses (start-up loans etc), active and passive labour market measures, availability of forecast measures.
- Recognition of the necessity [to anticipate and manage restructuring], relatively good legal basis.

WEAKNESS

- General lack of information

- The lack of real social dialogue practices
- The lack of willingness to cooperate amongst social partners
- Lack of regional development
- Lack of retraining and retraining networks
- Lack of suitable experience [to anticipate and manage restructuring in the recession]
- Insufficient cooperation between different parties
- The system [for anticipation and management of restructuring] is a very new one. Will it be sustainable?
- Lack of resources
- Small network and low cooperation
- Weak industrial relations
- Lack of trust between social partners
- Lack of knowledge of the skills demand in the labour market – what kind of labour force is needed? Which professions should be more emphasised in training?
- Information is not shared efficiently
- Inconsistencies between the demand and supply [of labour force] (increasing imbalance between labour market demands and qualified labour force)
- The low monitoring of planned activities
- Lack of advance information
- Lack of information on the impact [of restructuring] and the need for restructuring
- The lack of timely information
- Lack of time to implement planned activities
- The lack of or weak feedback, therefore no one knows whether the implemented measures have reached their objectives

3.2 GROUP WORK Session - morning .

The objective of the Group work session was to obtain information on the selected measures and tools described briefly in the National Background Paper, in order to reach a common understanding and consensus on their efficient and positive effect for anticipating or managing restructuring and mitigating the social impact.

For reaching this objective, a number of selected **case studies** was briefly introduced as an example of experimented measures and tools –also at company level –

The participants were divided into small groups (maximum no.5 for each session). Materials and information concerning the case studies selected (PPT presentation, testimonials) summing up the basic data available on the experience presented were illustrated, as well as the instructions for managing the discussion within the Group.

The specific questions were proposed to each Group in order to better understanding the objective of the discussion and to define the context of the analysis to be carried out:

The results of this session are summarized in the following table:

Case study	Success factors	Main problems	Key conditions for transferability
Eesti Põlevkivi	<ul style="list-style-type: none"> ▪ Very anticipatory approach. ▪ Strong partnership ▪ Cooperation and consultation ▪ Government also involved. ▪ Possibilities for relocation of redundant workers. ▪ Training offered. ▪ Family situation was taken into consideration. ▪ Individual consultation with workers. ▪ Long term strategic mapping on skills needs in the company. ▪ Searching of individual solutions. ▪ Very specific Action Plan agreed by all partners. 	<ul style="list-style-type: none"> • Short time span for layoffs. • Not well developed system. • No readiness to benefiting of opportunities offered. • Lack of monitoring system. • Follow up for future political measures is not possible due to lack of monitoring. • People lost social networks. • Number of jobs reduced in the region: from 7.000 to 3.000 approximately 	<ul style="list-style-type: none"> ▪ Partnership, cooperation and Finds. ▪ A good lesson for the Government: how to reflect on the changes and how to anticipate.

3.3 Round Table session (afternoon)

The Round Table session aimed to discuss more in depth the following issue : MANAGING RESTRUCTURING IN Estonia : LESSONS LEARNT FROM THE PAST EXPERIENCE AND FUTURE PERSPECTIVES

The panel discussion was organized in a first debate around five key questions proposed by the moderator and subsequently followed by the active participation of all the attendants to the discussion on the effectiveness of the existing measures in Italy for anticipating restructuring.

The main results of this debate are summarized as follows:

- **Unemployment Insurance**

This service was developed under European Social Fund support with many partners. After the pilot service period, the service was provided on a regular basis for supporting collective redundant workers, target group being workers before layoffs.

The entire country is covered by the service. Based on the new Employment Act, labour inspectors receive information on collective redundancy. Firstly, a meeting is organized in the company, it is a flexible approach looking at case by case. Financial consultancy is provided. When people are laid off, they receive consultancy on what they really need. Local Authorities provide this counseling for example supporting workers for the preparation of documents necessary for searching a new jobs, etc. It is difficult to work with time constraints. Re motivation services are also provided. Because of the insolvency of the employers, workers are entitled to receive a support. No many companies have Trade Unions representatives, when there are, the relations are good.

Feedback in the regions from people beneficiary this service is very positive. The lack of psychological support is one aspect very crucial.

- In the current economic and financial crisis to what extent should the role of the collective bargaining change?

Collective bargaining level is probably lower than in the rest of the EU. There is a great consensus on the win-win approach. A certain number of Agreements are achieved but now due to the crisis it is not easy.

- Short time measures : voucher

Training activities are organized by public procurement. Training voucher often offer service free of charge. Unemployed people have to choose the training path and then participate thanks to the funds guaranteed by Ministry. People are quite active with a sense of duty, well motivated. Information on new skills required is available and training is addressing these objectives. In the case of sectors in which there are no possibility to work in the short time period, what happen?

Wage subsidies scheme : some changes were recently introduced concerning the pre requisites. All sources channels are used for gathering information. The necessary prerequisite is that worker has to be registered unemployed for six months. One element lacking is people active, some prefer to stay at home.

- Existing passive measures

There are some criteria set up by the law for qualifying the potential beneficiary.

Today somebody fails and the benefit discontinues because the beneficiary has not respected the criteria. From employers side, there is a link between the high severance Payment and passiveness? . Actually, in this case people postpone the coming back to work. It depends on individual situation

Career counseling: it is not always easy to identify what is the individual path, because people are not used to express their opinion. It is mainly a problem of setting objectives. Regarding early retirement, the choice depends on the individual workers: in particular when people are willing to to their keep work . Early retirement is quite a controversial issue because it is based on the capability and employability of people. Is still a solution to promote early retirement?

- Continuous vocational training

Market training is quite well known by people. Human capital improvement is important but it needs financial support. "Enterprise Estonia" is providing some services in this field. There is some bureaucracy for companies. Enterprise Estonia also provide services for entrepreneurial skills development.

During the debate open to all the participants the following Strengths and Weakness came out:

Round table 2	<u>Strengths</u>	<u>Weakness</u>
	Availability of training offer is quite well known by people	Vocational Training Programs: too bureaucratic for companies.
	Information on new skills required are available and training is addressing the objectives.	Early retirement is a controversial issue.
	Training voucher often offer service free of charge	Career counseling: not fully implemented due to workers' reluctance .
	Unemployment insurance: Feedback in the regions from people beneficiary this service is very positive.	Wage subsidies scheme : some failures due workers' reluctance to re enter in labour market.
		Collective bargaining level is probably lower rest of the EU
		Lack of psychological support is is very crucial

3.4 GROUP WORK session (afternoon)

During the second group work session one case study was analysed . The results of the Group work session are the following:

Case study	Success factors	Main problems	Key conditions for transferability
EEsti Post	<ul style="list-style-type: none"> ▪Very supportive attitude of trade unions. ▪Capacity to agree with all actors ▪Capacity of understanding clients needs ▪Cooperation ▪From 2005 reduction of workers. ▪Collective redundancy: second option. ▪ Reduction of salaries of 10% per year was agreed. 	<ul style="list-style-type: none"> ▪Lack of economic analysis. ▪No clear understanding of the expected results, no vision. ▪Not proper management process. 	

3.5 Brainstorming session : lesson learnt and good practice

At the end of the seminar the last brainstorming session was focused on the identification of at least one Good practice and one lesson learnt amongst all measures/tools and case studies discussed during the seminar The aim of this session was to bring together

additional information and to compare the results of the last session with the main conclusions came out after the debate during the round table session.

The results included in the following boxes reveal that comments and questions raised during the debate are confirmed by the final brainstorming exercise. In fact, the experience done by Estonian Unemployment Insurance Fund and their response service to collective redundancies has been pointed out several times as a good practice. Some short-term measures introduced in the recession have been found to be useful as well (start-up measures, increased training opportunities etc). The most important keywords for lessons learnt are cooperation between labour market parties and information and consultation measures. Also, cooperation with the state agencies has been stressed as well. Thus, in view of the participants in the national seminar, cooperation is something that should support effective anticipation and management of change.

In conclusion, the main positive aspects of the current experience have been accession to the EU in 2004 (with the new opened labour markets and increased possibilities for labour migration, also the availability of EU Funds, especially the ESF). Also, national measures introduced have been a positive experience in tackling the recession and anticipating and managing restructuring.

The main negative aspects include the weakness of industrial relations and social partnership in Estonia, but also the lack of information (e.g. in terms of skills needs, results of implemented measures etc) and cooperation between different parties.

Summary of Good Practice: The Unemployment Insurance Fund and its response service to collective redundancies has been pointed out several times as a good practice. Some short-term measures introduced in the recession have been found to be useful as well (start-up measures, increased training opportunities etc).

Summary of Lessons Learnt: the most important keywords for lessons learnt are cooperation between labour market parties and information and consultation measures. Also, cooperation with the state agencies has been stressed as well. Thus, in view of the participants in the national seminar, cooperation is something that should support effective anticipation and management of change.

Good Practice

1. The work of Estonian Unemployment Insurance Fund ([Töötukassa](#), EUIF)- the cooperation between employers and employees (information and consultation)
2. Corporate Social Responsibility (CSR)
3. Different retraining opportunities created by EUIF
4. Encouraging an increase in the employment of elderly workers
5. Response service to collective redundancies (provided by EUIF)
6. Cooperation between Estonian Post Ltd and EUIF in the framework of EUIF's response service to collective redundancies: the service supports both employees and
7. The development and expansion of EUIF services and also the willingness to cooperate with employers and trade unions
8. Quick response to labour market situation and the introduction of new measures such as response service to collective redundancies, support for starting a business, training and retraining opportunities for unemployed.

Lessons learnt

- 1 For successful anticipation, prior information and consultation and cooperation are necessary : in Estonia they should be more efficient.
2. Cooperation as well as information sharing should be more efficient
3. Slow reaction from the government - the reaction to labour market changes caused by the recession should have been faster and more preventive, the influence of the changes on entrepreneurship should have been analysed beforehand (need for a strategy not just a forecast)
4. It is necessary to learn how to develop better cooperation between different state agencies and how to share information more efficiently
5. Lesson should be learned from the good practices of Estonian Post Ltd and Eesti Põlevkivi on how to react to future restructuring cases
6. States partnership (participation) is important
7. Insufficient cooperation between trade union, employers and the state is a problem that needs to be addressed
8. The reaction in case of redundancies to support unemployed persons should be faster.
9. Employees/unemployed need support immediately after the redundancy has been announced or has taken place
10. Latent collective redundancies and low coverage of collective agreements are problems that need to be addressed.

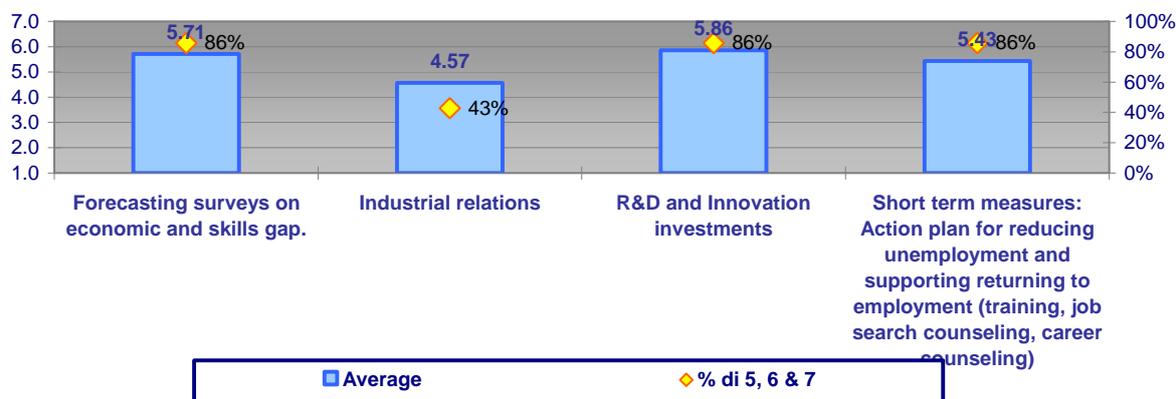
3.6 Evaluation session on effectiveness and transferability of measures/tools for Anticipating – Managing Restructuring

The aim of this exercise was to identify the priority themes according to the effectiveness and transferability criteria concerning the measures and tools discussed during the seminar.

The graphs show that among the Anticipation measures/tools the most effective are “*R&D investments*” while the “ *Short term measures fro reducing unemployment* ” are considered the tool with an high level of transferability.

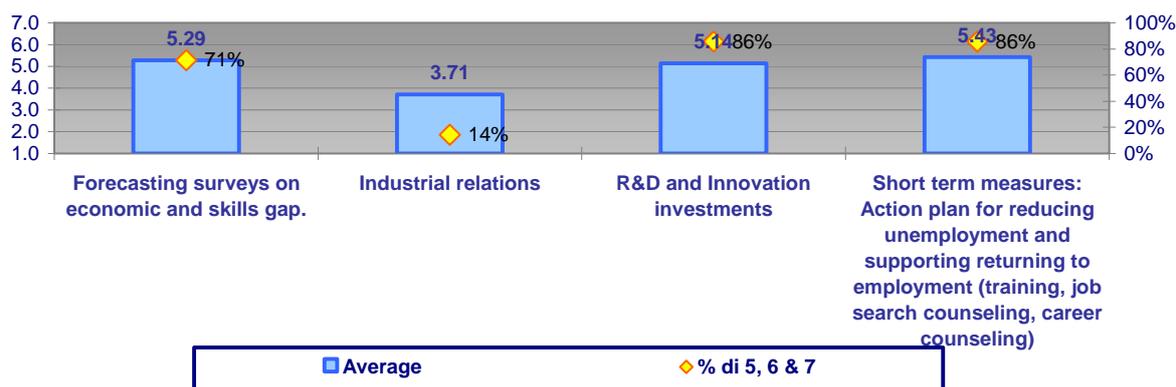
ANTICIPATING RESTRUCTURING

Effectiveness



ANTICIPATING RESTRUCTURING

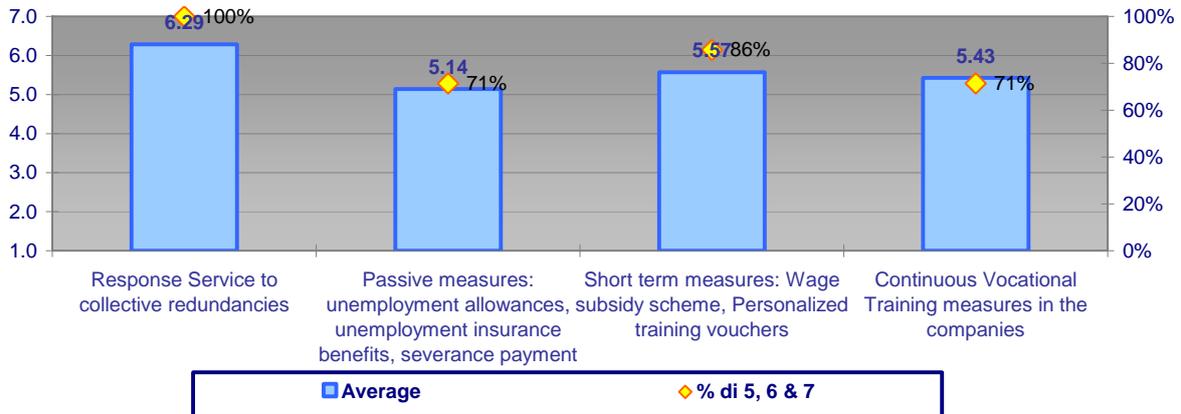
Transferability



Regarding Managing of restructuring the graphs show that the most effective measure is the “*Response service to collective redundancies*” that it is also perceived as the measure with an high level of transferability together with the “*Passive measures - Unemployment insurance*” .

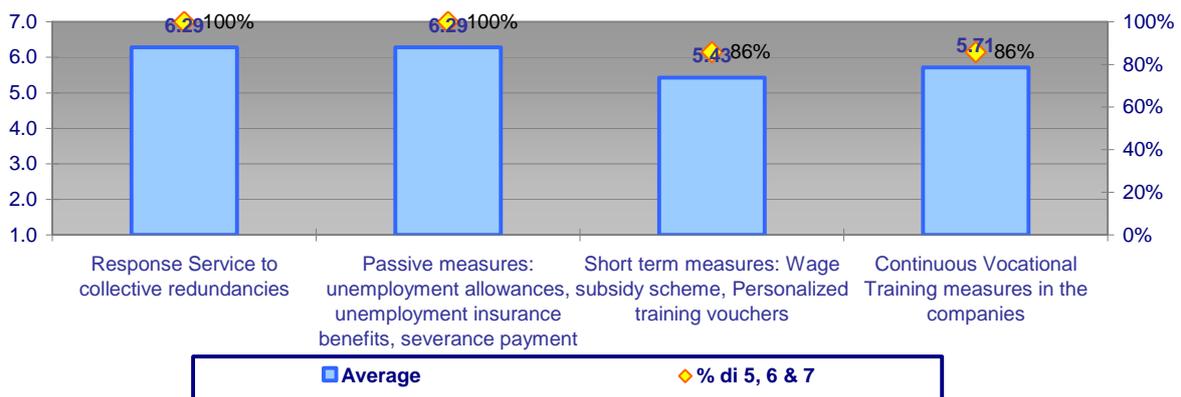
MANAGING RESTRUCTURING

Effectiveness



MANAGING RESTRUCTURING

Transferability



This exercise has allowed to highlight the main conclusions of the debate with an high level of homogeneity in the main opinions and comments expressed by the participants.

4. Conclusions of the debate

The one day seminar has highlighted in principle that although the current crisis has clearly demonstrated insufficient resources devoted to both anticipating and managing restructuring, it has also allowed to introduce new measures and extending the ones, which in a few years time may become a systematic part of the policy. The main conclusions can be sum up as follows:

- most of the measures discussed need for a regular monitoring and assessment practices. In several cases, the measures implemented have a good potential to contribute to effective anticipation/management of restructuring but without any monitoring tools to analyse the use of the measures, these can have adverse effects

in turn. Also, for the assessment of the transferability of the measures to other contexts, impact assessment will be crucial.

- The need for governmental strategies and action plans represents a weakness so far. The coordination between government strategic goals and individual choices of enterprises needs to increase the economy development and competitiveness in a constantly changing economic context.
- In terms of anticipating restructuring, education and training have a crucial role. On macro level, restructuring should be accompanied by educational policies which help to shape the skills level and qualifications of the labour force. In the situation of the current recession, some good measures have been implemented which help to raise the qualifications of adults. Positive examples are the free-of-charge training measures for adults by the Ministry of Education and Research. Specific measures to reach the most disadvantaged groups with the aim to raising qualifications to be competitive in the labour market, are extremely necessary. Training provided by enterprises to their employees is also important to anticipate restructuring and allocate skills between different activities in the company to reduce any negative impact on employees. State agency Enterprise Estonia is a positive example of resources allocated to those companies that intend to invest in training programmes.
- In Estonia, there is a problem for developing forecasting instruments due to the lack of necessary data. The data currently used for forecasting purposes only enable a long-term forecasting exercise (7-year perspective used in the current forecasts by the Ministry of Economic Affairs and Communications) while there is not enough detailed and reliable data for a shorter-term forecast. In this respect, cooperation between the government, employers' and trade union organisations is essential.
- Concerning the role of research and development in anticipating restructuring the experience is still at its early development phase in Estonia and thus it is not used widely as a tool for anticipating restructuring on enterprise level. To start this kind of cooperation between research institutes and employers, disseminating information in both ways is considered important, i.e. from research institutes to employers on the possibilities and from employers to research institutes on the demand and expectations.
- The role of social partners and industrial relations on micro level (i.e. in terms of individual impact) is mainly focused on the procedure of information and consultation. However, information and consultation is obligatory for employers only in case of collective redundancies. Thus, in cases of small-scale redundancies, the prerequisite for successful anticipation of restructuring is not often filled. On macro level, the tripartite discussions between employers, trade unions and the government are very relevant. The extensive social plan in the case of Eesti Põlevkivi to tackle the effects of restructuring was a result of a tripartite agreement .
- An important prerequisite for a successful management of restructuring is the availability of information to the persons facing redundancy. Namely, there are a variety of measures and tools implemented by the government and other stakeholders (e.g. the local municipality, the social partners, NGOs etc) and it might be difficult to find the necessary information from different sources. This is even more so as often people do not look for any information on the measures and services provided before the actual need for these. Thus, availability of information will be important for effective management of restructuring.
- The reaction service to collective redundancy is one of the most important measures specifically targeted at managing restructuring on enterprise level. One of the problems is a relatively short time for working with those made redundant.
- Some of the measures targeted at bringing the unemployed back to the labour market for instance, the system of training vouchers is hoped to reduce drop-out rates as the personal responsibility is higher with this measures than with other training measures provided by the UIF. This measure doesn't assist those with low qualifications or in need of retraining. Other measures of the UIF are used for this purpose (e.g. labour

market training, career counselling to bring persons to formal education to raise educational attainment or acquire a vocation etc.). An important input for all these training measures is the forecasting tool of the Ministry of Economic Affairs and Communications.

- Another measure that has been implemented in the current recession is the wage subsidy scheme. While the measure is not new in nature, the availability has been widened considerably in the current recession. An important aspect for successful implementation is pointed out to be the dissemination of information to the target group of the measure – the employers. Currently there is a lack of measures to keep unemployed active in the labour market in case it is not possible to find new employment opportunities. For this purpose, volunteer work has been implemented to some extent (for instance in providing seasonal work with the State Forest Management Centre).
- The role of industrial relations is hindered by the low coverage with collective agreements in Estonia. This has not changed in the current economic situation. Even though trade union membership is also low in Estonia, this should not reduce the role of collective agreements.. Thus, lack of interest in this respect hinders the management of restructuring through collective agreements in Estonia.

5. Main Results

The National Seminar has contributed to the capitalization and systematization of the knowledge and practice on Restructuring in Estonia.

From the organizational/methodological side the following key elements came out:

1. key aspects of the Restructuring schemes in Estonia were put in evidence.
2. strengths and weaknesses of specific measures were analyzed as well as two case studies.
3. a synthesis on key concepts on Anticipation, Social dialogue approach, Managing restructuring was carried out.
4. Suggestions were highlighted on :
 - the need to improve the capacity to respond to the need of vulnerable workers threatened by redundancy.
 - the importance to better design and implement training programmes ,
 - the need to better coordinate different actors, in particular to strengthen the relationship between government and social partners.

From the technical side the Seminar has offered the opportunity for:

1. Shared knowledge on the main experiences in Estonia.
2. Better understanding of the notion of Anticipation and the direct link with the implications in terms of how to better prepare to structural changes.
3. Shared opinion on the relevance and effectiveness of the role of the Social Dialogue in Estonia.

Finally, with reference to the Evaluation results based on the questionnaires filled in by eight n.8) participants at the end of the Estonian seminar the average of 4.16% was reached . The comparison with the ITC-ILO's activities benchmark of the participants' satisfaction [4, 26%] reveals a good satisfaction of the overall activity .