

ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

NATIONAL SEMINAR'S MINUTES

Latvia

Introduction

These minutes are intended to provide a summary of the proceedings and results of the National Seminar on Restructuring which took place in **Riga on 21st January 2010**. The purpose of these minutes is to highlight the key findings and the main debates during the one day seminar on anticipating and managing restructuring. These minutes are supporting documentation, which should be read in conjunction with the final published version of the National Background Paper.

1. Background

The National Seminar in Latvia was the 15th seminar in this series and aimed to present and discuss the most important measures and tools used for anticipating and managing restructuring in Latvia, particularly their effectiveness and potential 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. Participation at the National Seminar on Restructuring was by invitation.

The ITCILO, after consulting with the European Commission, the national expert and other interested parties, sent invitations to a list of representatives from the government, the national employers' organizations and the national trade unions, as well as academic researchers on restructuring practices in Latvia. Representatives from business associations covering specific sectors, were also invited, along with managers of enterprises that had been chosen as case studies for discussion at the seminar. The Dublin-based European Foundation for the Improvement of Living and Working Conditions (Eurofound) was invited to send an observer. An official from the DG Employment, Social Affairs and Equal Opportunities of the European Commission also took part in the seminar.

No. 23. participants attended the seminar coming from the following Organizations/Institutions:

- Government representative (**no. 9**);
- Trade Unions (national and regional level **no. 5**)
- Employers' Organizations (**no. 3**)
- Testimonial from companies (**no. 1**);
- Research Institutes: (**no. 5**)

A representative from the DG EMPL and from Eurofound 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 NBP

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 Latvia were presented
- It was highlighted the highest unemployment rate in Europe. An other negative indicator is the decline of number of job creation in 2009.
- The high rate of unemployment requests efforts for creating new jobs.
- Different aspects of the anticipation process and response strategies to the current economic downturn were described
- A system on long term and short term Anticipation is recently set up. Ministry of Welfare is responsible for the short term forecast. Is this forecast based on information provided by employers sufficient? This is an open question. An other interesting measure is the regional mobility. It is very innovative because it was set up for promoting mobility of workers in regions with a shortage of workers. Lifelong education system and investment on innovation are still weak.

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, Financial support, unemployment benefit, formal and informal education, training in the workplace, measure for increasing competitiveness, measures for integrating vulnerable groups in the labour market, were briefly presented.

With reference to restructuring during the crisis: funds and benefits are increased. In particular salary support on the basis of the EC recommendations. 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 – Latvia (<http://arenas.itcilo.org>).

3.2 Debate

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 .

3.2.1 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 EXISTING 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 5 key questions outlined but 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 in Latvia 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?***

Latvia Ministry of Welfare has a good experience on developing studies on forecast needs in the Labour Market. Development of proper tools is a strategy improved in 2003 -2005 in welfare sectors. Economy is changing rapidly. The LM is an indicator of the consequences of the economic development. One example is the situation developed in two parallel directions: anticipation of human resources requested and the preparation of these people for entering in the Labour Market. A methodology was developed for short term forecast of new profiles and consequently the training service to be provided. It is very important to strengthen the Education and Training offer in Latvia. The situation is changing so rapidly and data in this field have to be reviewed. Demographic change and trends are influencing these forecasting surveys. It is too early to assess if these forecasting tools are very effective. A fragmented approach is the current problem and challenge. The analysis of new skills for new jobs is the challenge and perspective in Latvia.

It is important to provide well educated and skilled workforce. It is not possible to invest on sectors if data and information are not available on future trends.

- ***Industrial relations and strategic dialogue***

It is controversial if Social dialogue could be considered sufficient. It is very important to analyse forecasting with social partners. Last year Government was invited to join Social Partners for an unanimous decision. But why in the current crisis the Government is late on starting the discussion with SP and local actors? Another question concerns the level of transparency. Solutions should be discussed together.

- ***Regional Development and mobility***

Regional infrastructure, education, internet accessibility are conditions for create entrepreneurship. Unfortunately the resources distribution is not sufficient up to now.

Employment rate is not the cause but the consequences due to structural problems in some regions. For Latvia it is also important international mobility. Regional mobility is still close to social guarantees provided (salaries and social guarantees). Regional mobility of labour is another problem. How the professional needs in different regions should be further developed?

About careers consulting development, there are resources available for strengthening this measure.

How to use the regional mobility measures can prevent people to leave out the country?

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

The cooperation between technical universities and companies is active. Siemens is an example of collaboration, even Latvergo. It is very hard to train students just in time, but information on short term strategies doesn't allow to train people.

Currently there is a Fund for promoting innovation that it is not well developed in Latvia. Research is suffering due to administrative burden.

• ***Financial accessibility for SMEs***

SMEs are a strategic issue in Latvia SMEs because they are the backbone of the economy. In last years some opportunities were lost due to a lot bureaucratic burden. Sectoral policies should be developed reducing administrative burdens.

Latvian employers Confederation has provided resources for creating a platform according to the EU requirements. Tax system is another constraint as well as the political instable situation. During the crisis unfortunately it is not easy to develop strategy without Government support.

Social guarantees are collapsed. Access to jurisdictional dispute is not easy. Protection of job is not guaranteed. Active Labour Market policies are not fully available. For example there are not special programmes for elderly workers, SMEs measures are not well functioning. Ministry of Welfare has stressed on the need to support SMEs.

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

Round table no. 1

Strengths	Weaknesses
Regional development is considered a priority	Discontinuity of surveys forecasting
Professional and regional mobility are perceived as an important measure.	Lack of long term planning resources
The anticipation is viewed not in quantitative way but as HR development.	Insufficient political transparency
Since there is enormous potential for HR in Latvia, Anticipation should be focused on HR development.	Social dialogue not always effective and operational.
Currently the focus is on Short term Approach,	SME problems to growth due burden

combined with lifelong education	administrative and big enterprises pressure.
National Tripartite council is useful but its role is often not exploited.	Failure of welfare in so many things.
There are anticipation tools in force at Association level	Lack of strategic vision
Professional team for anticipation is at work in SME	Labour market recovery needs long time and coherent anticipatory skill
Cooperation between technical university and companies (case of Chemistry faculty Siemens etc...) Even if only big enterprises	Methodology of anticipation (Long and short) is not appropriate
R & D at enterprise level is present only in MNs	Education and employment need different anticipation exercises.
	Renewing the data (data quality) need to be strengthened
	Anticipation needs funding
	Short term anticipation should be discussed with Social partners
	Medium term is not considered.
	Regional development is not sustainable
	Additional resources to EU funds are needed
	Health care system is linked to mobility and Latvia does not have such HS.
	Transport costs determine additional weakness.
	Career consulting development should be more incisive
	Lot of bureaucracy that hampers SME productivity
	SME are blocked by sectoral policy barriers
	Whole perspective of the country in long run is absent
	Funding problems
	Structural funds not used: Big problem for Latvia
	People are laid off without consultation
	Not support from state
	Collective bargaining is not widespread
	Protection of job does not exist.

3.2.2 GROUP WORK Session. (n° 1)

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 (Fact sheets, PPT presentation, testimonials from companies) 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	Areas of improvement
<p>Consultative Centres: Opportunity to provide support workplace environment.</p>	<ul style="list-style-type: none"> •Very useful for employers and workers. •People have opportunity at individual basis for solving the problems •Active involvement of Court in case of wages are not paid. •No barriers in consultative centres. •Very problem solving measure. •Regional wide coverage. •Advisory services. •To strengthen regional development organizations for investing policies on employment. •5 regions covered •Requirement of law respected. •ESF co funded project. •For long term system there is the knowledge acquired for continuing the service without EU funding support. 	<ul style="list-style-type: none"> •Not sufficient capacity to address huge number of people •Sustainability for continuing the services without EU funds. •Development of regions long term perspectives. •Social dialogue should be further developed in 5 regions for reaching 100% of cooperation between local actors. •Concentrated on big cities. 	<ul style="list-style-type: none"> •Very close to the people •Flexibility •Collective agreements can support and strengthen this experience.

3.2.3 Round Table session (afternoon).

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

The panel discussion was organized in a first debate around four 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 first debate are summarized as follows:

- **Unemployment benefits**

People that become unemployed receive a benefit. 40 – 50 % of beneficiaries receive the funds Economic changes have introduced other social measures, part time job in massive way in order do not lose jobs and use social guarantees for support people and create job opportunity.

- **Active employment measures**

These measures are addressed to help special groups of people, for improving skills, professional training, workplace training.

In sugar sector large part of workers don't have access to labour market.

Informal training and analysis of what are essential skills required is still weak. Higher education programme was developed facing unemployed people, career development, in order to improve knowledge.

There is also a social support because people can survive during crisis period.

Crisis is the time right for improving workers skills. In addition, measures for increasing Competitiveness, 350 people received assistance. Support and training for motivating and encouraging people to start business with helping them to prepare a business plan. High administrative costs is a controversial issue.

Subsidies for vulnerable groups, support for young people that have not finished school, giving skills and practices. Public works last year were organized and a consistent number of people was involved.

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

Tripartite discussion have to evolve at regional level. In some areas collective bargaining is not useful. In many cases there is a lack of information. Employers can not decided upon . Confidentiality aspect is an other element to take into consideration, it is connected with consultation.

- **Measures for improving qualifications (voucher)**

It is an issue linked to lifelong learning. Crisis period can be an opportunity for improve qualification. The issue is related to funding. These measures in Latvia up to now can not be considered successful. In context of restructuring State employment agency should promote these measures.

Strengths and weaknesses: the main problems are financial resources. Structural funds provide financial support.

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

Round table no. 2

Strengths	Weaknesses
Social measures for vulnerable groups	Lack of industrial policies
Public work for job	Lifelong learning and link with educational system still weak
Measures for supporting self employment	
Subsidised employment	Registration unemployment be analysed with the Labour Market trend
Collaboration at local level.	Government costs in managing measures are high.
Measure to improve competitiveness	There is a need to target measure to population aged
Training is a positive topic but Collective Bargaining is missing	Employment agency needs training as well
	Tripartite approach does not work
	Clause of Flexibility is not included
	Labour law is a problem since rigidities lie in the legal framework
	Safety is an issue not included in the Collective bargaining
	Lack of information among parties due to hidden agenda of parties
	Measure are considered good intention but not good application into reality
	Lack of expert in the field of management restructuring
	Relationship: Short Term and Long Term vision: Job needed today may not be needed tomorrow:
	State employment agency are close to liquidation

3.2.4. GROUP WORK (n.º 2)

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

Case study	Success factors	Main problems	Areas of improvement
<u>Structural reform Public sector</u>	<ul style="list-style-type: none"> •Functions cut even if the new functions are not yet assessed by the public. •Good experience for improving service and functions in public sector. •Continuous change and reform due to requests from public opinion. •It implies reduction or merger of institutions and dismissal of workers •Mixed results achieved. 	<ul style="list-style-type: none"> •Results are not yet assessed •Financial gain increased •It was a mechanical merger •Structural reform is not only layoffs. •Not clear objectives of the reform. •State administration should be more cheap. •Workers should have been re motivated and stimulated . •Financing support was not equal for all workers. •State must create new jobs and there are some contradictions. 	<ul style="list-style-type: none"> •Collective agreements .

3.3 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 among the 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 reveals that the comments and questions raised during the debate are confirmed by the final brainstorming exercise. In fact, the creation of Consultative Centres is considered a relevant experience as well as the State Social Insurance Agency, while lack of strategic Planning and low level on Social Dialogue mechanisms represent the main points

Good Practice

1. Sugar factory restructuring experience
2. State aid in case of unemployment. Good practice examples are creation of consultative centres (LBAS, LDDK)
3. in theory state support in SME sector exists
4. VSAA (The State Social Insurance Agency) agency's structural and administrative changes
5. Stimulation of regional mobility. Measures to support retraining, business and self-

employment.

6. Consultative centres in the regions. Investments in human resources.
7. Good practice examples have usually private companies.
8. Opened to changes. Adaptation to requirements of evolving labour market, measuring of efficacy. Possibility to make cost savings by reviewing the goals, tasks and functions.
9. Search of individual solutions and offers, for example, in education and health system. Social partners involvement into important governmental issues.

Lessons learnt

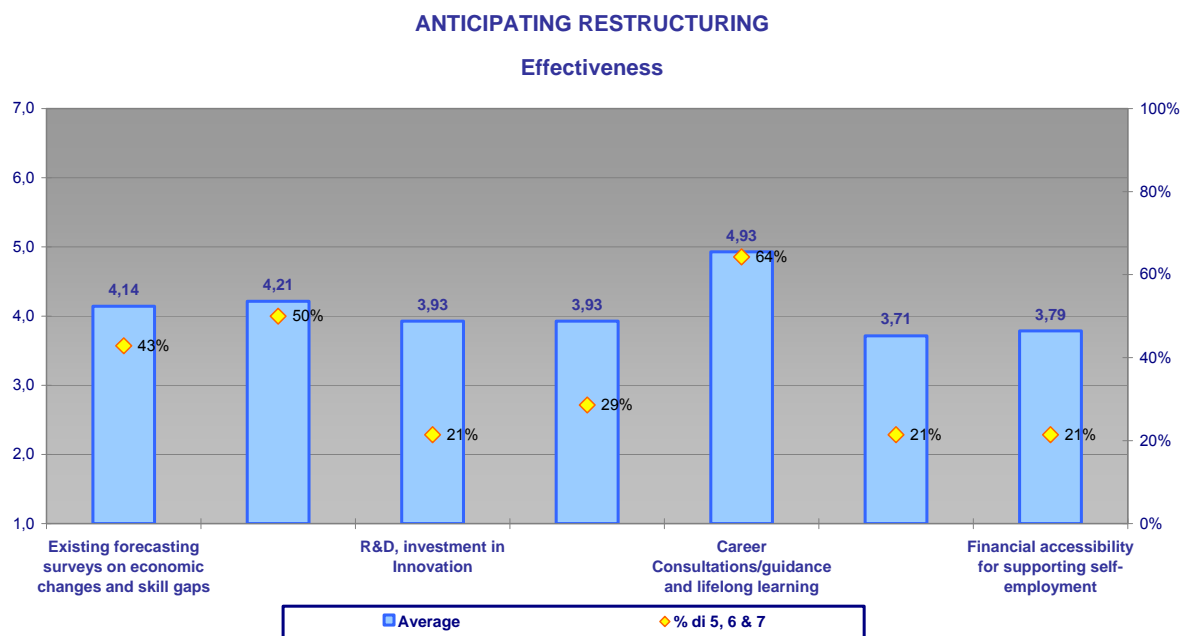
1. Something has to start however; it was a good training how to make reform (although not particularly successful). This unsuccessful experience discouraged social and other partners to act in the name of common objective/ reform name.
2. Lack of consistent planning strategy, its flexibility, evaluating and adapting
3. Timely planning
4. To use more social dialogue
5. Solving problems, it is necessary to pay attention not only to short-term gains, but also evaluate long-term effects. State has to determine the long-term objectives and respectively must build policy using rationally resources.
6. It is necessary to improve the process of creation of temporary job places in order to preserve the current work places. Making evaluation of functionality of public institutions: it is necessary not to make evaluation in a "linear mode", in order to cut the same fund amount to all institution. In order to make funds reduction, it is necessary to take into account the principle of equality.
7. It is needed to take into account the factors which are specific to Latvia when restructuring is planned (for example, public works are not sufficient for effective restructuring)
8. Lack of planning, lack of common objectives and directions, so, for these reasons, each group try to survive individually. Only when the citizens will realize that it is necessary to work together and each person has to make his job well, then country will start to go out from "black tunnel".
9. Inadequate and expensive restructuring of "Latvenergo" (enterprise like ENI in Italy). The consequences of this restructuring are the following: increase of energy rates and the result is that enterprises are obliged to increase the costs of their products and services, while restructuring process completely respects EU requirements.
10. Before to make structural changes should always be assessed long-term effects - which were not done. In the name of good purpose, reforms should not be made in a "hurry".
11. Not all experiences are useful. Short-term changes can provide losses rather than gains.

12. Structural reform is not only redundancy and public institutions closing.

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

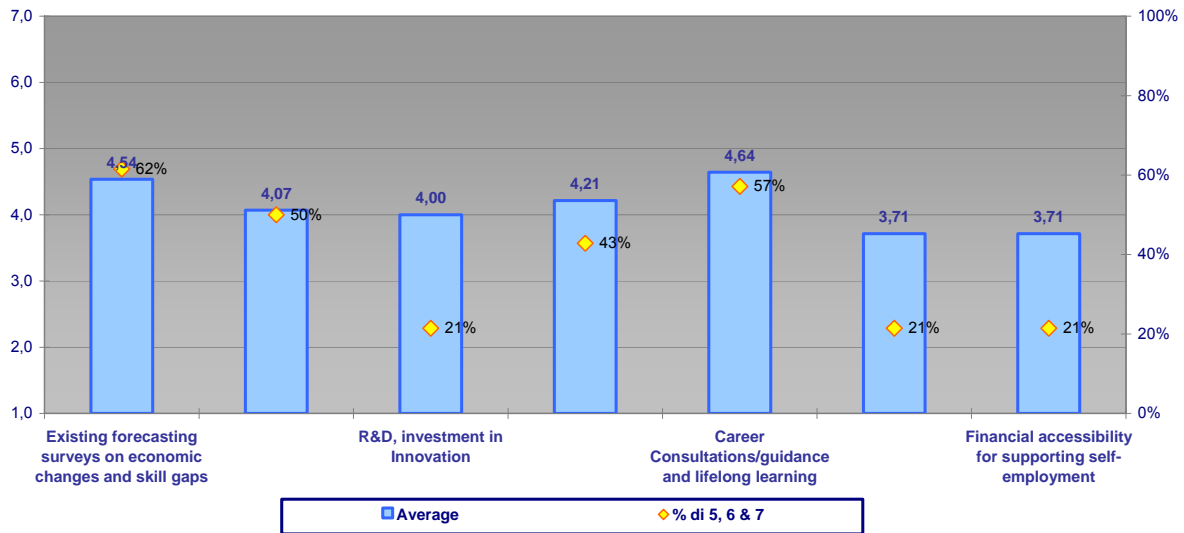
The aim of this exercise was to identify the priority themes according to the effectiveness and transferability criteria concerning the measures and tools discussed during the seminar.

The graphs show that among the Anticipation measures/tools the most effective is the “*Career consultation*”, that is, together with the “*Forecasting surveys*”, the tools with an high level of transferability.



ANTICIPATING RESTRUCTURING

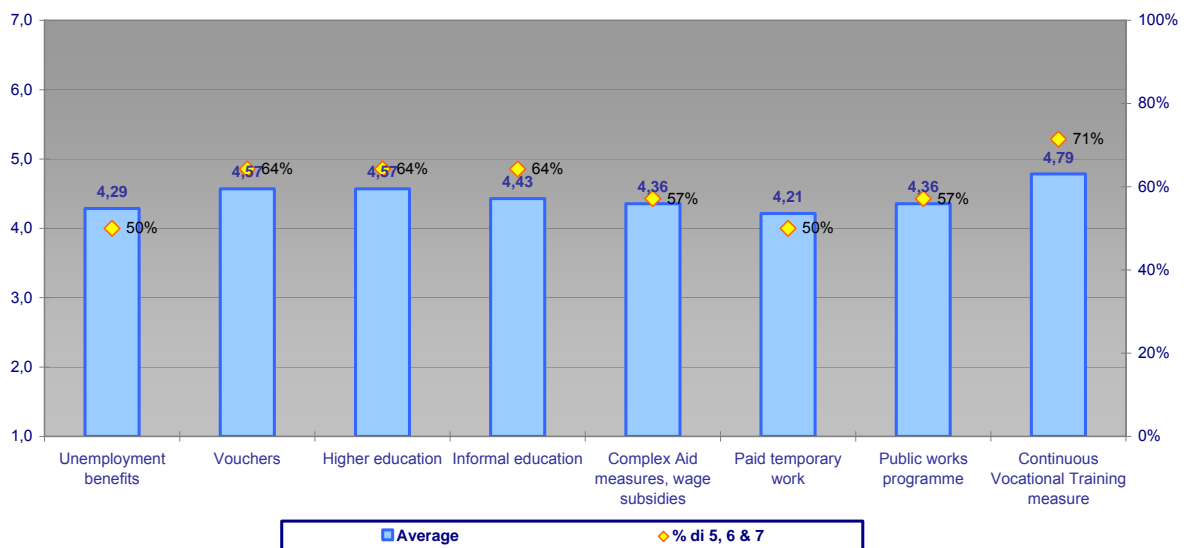
Transferability



Regarding Managing of restructuring the graphs show that the most effective measure is the “Continuous Vocational training”, that is also considered the measure with an high level of transferability.

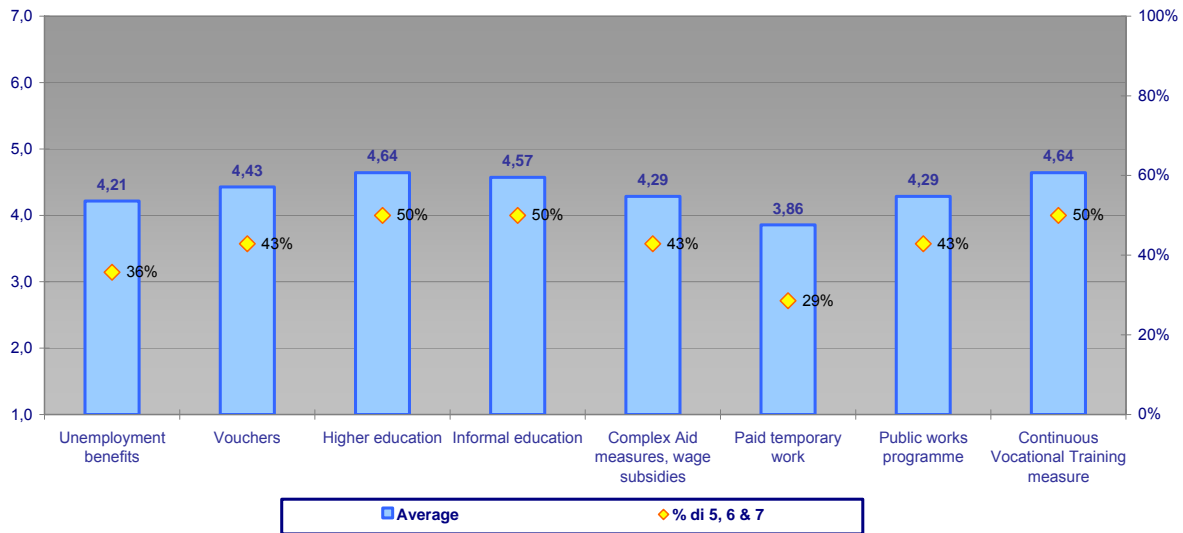
MANAGING RESTRUCTURING

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 seminar has highlighted in principle that the Latvian system is mainly focused on the Preparation and Management of restructuring with a particular attention to the Consultative Centres.

It is possible to sum up the current system as follows:

- Latvian government has developed a legal framework that ensures the protection of workers' rights and provides for the involvement of workers' representatives in the restructuring process. In practice there are many cases when labour laws have been violated and employees have not been involved in the restructuring process. The different outcome of the restructuring process in Jelgavas Sugar Factory and Liepājas Sugar Factory clearly shows the importance of proper consultations with employees regarding restructuring compensations and the agreement that is fair and satisfactory for both sides. Therefore the social partners' initiative of consultative centres is very important to preserve worker's right in the period of economic crisis. Consultative centres have a preventive function, as the employers are consulted on labour law matters before commencing the process of restructuring, but they have a problem solving function, as the employees may receive a legal advice in the case their labour rights have been violated due to the restructuring of the company.
- Latvian government has acknowledged that restructuring can be managed more effectively and in a socially responsible way if those most affected are actively involved in managing change. Thus, particular attention has been given to the development of social dialogue and the capacity of the institutions involved in the social partnership (including LDDK and LBAS) has been

strengthened. Tripartite dialogue within the framework of the National Tripartite Cooperation Council is effective and successful however more efforts have to be made to develop social dialogue at regional level. Although social partners recently have been more actively involved in the policy making processes their opinions very often have not been observed. For example, social partners harshly criticized the 2010 state budget and refused to support the budget bill, calling it "anti-social".

- The important tool that has been recently developed for anticipating the restructuring is labour market forecasting system that is aimed to foreseeing the changes in the labour market for a timely balancing of the labour demand and supply. However some criticism have been expressed concerning effectiveness of the administration of the system, as the two institutions involved (the Ministry of Economy is responsible for medium and long-term labour market forecasting and the Ministry of Welfare - for short term labour market forecasting), may cause different discrepancies in the practice. An important preventive unemployment reduction measure - the system of career education and career services has been strengthened and availability of career counselling services is provided to the whole population.
- The deep economic crisis and growing unemployment has forced Latvian government to elaborate new measures to deal with negative consequences of the recession. The government's first priority has been to address this increased unemployment rate. The solution adopted is a public works programme of community jobs developed with help from the World Bank. It is still early to assess the efficiency and adequacy of this initiative. The possible limitation is that the new programme do not provide any medium-term or long-term solution of the problem. One of the main priorities of Latvian employment policy has continued to be implementation of measures aimed at raising and maintaining the professional qualifications of the workforce. During the period of recession the particular attention should be paid to the training and retraining activities, particularly by improving the competences and skills of persons trained. SEA provides various training options for the unemployed persons, persons seeking employment and persons subject to the risk of unemployment. However the concerns have been expressed regarding the effectiveness of these measures.
- A new measure to support people at risk of unemployment that provides an opportunity to combine part time working arrangements with training could be regarded as innovative in Latvian context. It will allow access to state-funded training and retraining programmes not only for unemployed people, but also for people at a risk of becoming unemployed because of the recession, thus, introducing a more preventive approach to unemployment.
- The government's initiative to promote self-employment and entrepreneurship could be regarded as positive step towards creation of new job places. However, requiring participants to have a business-related educational background severely limits the range of people who can benefit from this measure..

- It is difficult to assess the effectiveness of a new more flexible training approach that introduces a voucher system. The main aim of this system is to generate some competition in the market for the provision of education and training for the unemployed, which has for many years been dominated by established traditional providers. There is a risk that successful implementation of active employment programmes could be hindered by insufficient capacity of the SEA to deal with the growing number of unemployed people. The administrative resources available to the agency have been cut by 24 %, relative to 2008.
- Other innovative measure in the context of restructuring is a programme to support the retraining of teachers that will address the negative consequences of education sector reforms, as it is intended for specific sector needs. This programme may be regarded as a pilot project that could be an example for development of similar programs in other most affected sectors.

5. Main Results

The National Seminar has contributed to the capitalization and systematization of the knowledge and practice on Restructuring in Latvia, with a particular focus on the experiences in the context of the Consultative Centres.

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

1. key aspects of the Restructuring schemes in Latvia 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, Territorial partnership
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 strengthen the Social Dialogue approach
 - the need to better coordinate the different actors
 - the need to increase transparency
5. Main challenges were highlighted : demographic change, Training for accompanying change.

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

1. Shared knowledge on the main experiences in Latvia.
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. The relevant role of Consultative Centres
4. Shared opinion on the importance to improve Social Dialogue mechanisms in Latvia.

Finally, with reference to the Evaluation results based on the questionnaires filled in by the participants at the end of the Latvian Seminar the average of **4.02%** 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 .