

ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

NATIONAL SEMINAR'S MINUTES LUXEMBOURG

Introduction

These minutes are intended to provide a summary of the proceedings and results of the National Seminar on Restructuring for Luxembourg, which took place in Luxembourg on **18th March 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 Luxembourg National Background Paper, whose author is Mr. Adrien THOMAS from CEPS/INSTEAD (Centre d'Etudes de Populations, de Pauvreté et de Politiques Socio-Economiques).

1. Background

Under a service contract issued by the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission, the International Training Centre of the International Labour Organization (ITCILO) is organizing a series of national seminars on restructuring in each of the 27 member states of the European Union.

The National Seminar for Luxembourg was the 21st seminar in this series and aimed to present and discuss the most important measures and tools used for anticipating and managing restructuring in Luxembourg, particularly their effectiveness and potential transferability.

A Luxembourgian National Background Paper (NBP) on Restructuring was written for the seminar by an independent national expert Mr. THOMAS.

This NBP was prepared for the purposes of identifying and describing the existing measures and tools for restructuring at the national and regional levels in Luxembourg, as well as highlighting interesting company practices and case studies.

The NBP was presented at the seminar as a draft report and discussed by a high level, tripartite group of participants from government, workers and employers' organizations plus researchers, academics and enterprise managers.

After the seminar the NBP was finalised ready for publication on the ARENAS website (<http://arenas.itcilo.org>).

The seminar was conducted in French with simultaneous interpretation into English.

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. 15 participants attended the seminar coming from the following Organizations / Institutions:

- Government (**no. 2**);
- Trade Unions (**no. 6**);
- Employers' Organizations (**no. 5**);
- Testimonial from companies (**no. 1**);
- Research Institutes (**no. 1**)

Representatives from the DG EMPL(**no. 3**) , 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 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 Luxembourg
- Features of the existing Restructuring framework:
- Definition of Anticipation in terms of organizational change in the enterprises that can affect the employment conditions. The objective is to forecast changes and to prevent negative effects. Economic diversification and strategies.
- Transformation of the economic and occupational system: recent data and indicators were presented. Transition period for some relevant sector. R&D investments were done. Financial Sector is predominant. Tripartite negotiation well developed for managing restructuring in iron and steel sector. Partial Chômage, approved by the Comité de Conjuncture, for preventing unemployment. This measure allows some adaptation during a crisis period in a company.
- Competitiveness Observatory is a tool for analysing the economic trends and challenges for the enterprises.
- Challenges: financial compensation instead of other measures for example: Training , re training Programmes.
- Offset of Social Dialogue at national and company level.
- Different aspects of the anticipation process and response strategies to the current economic downturn were presented.
- Mixed committee within enterprises, job methods, investment, etc.
- Mixed committee, job retention Plan , Comité de Conjuncture, involvement of Social Partners
There are not so far data on strength and weakness of the Job retention Plan.

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, support on the basis of the EC recommendations, a monitoring system needs to be set up.

There is a series of measures for reducing layoffs, redundancy schemes. Social programmes, reclassification cells, assistance to geographical mobility, elder workers. There were some open questions on the efficiency of some existing measures for managing restructuring.

How to adapt these measures for redundancy schemes to the current recession. Cross – border workers is an other issue because they are dismissed more frequently, how can we manage the follow up of these workers?

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 - Luxembourg](#).

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 (morning session)

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 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 in Luxembourg for anticipating restructuring. The main results of this first debate are summarized as follows:

- **The skills for Tomorrow survey**

There is much emphasis put on stopping the career in part time work, in the past some changes were introduced. Working time reduced is not easy to be accepted. It is difficult to reconcile different measures. Now during recession it is good to receive training in other companies.

Dialogue in Luxembourg is quite successful but in banking sector it is quite recent. During the negotiation in banking sector it was not easy to introduce training in collective bargaining.

What is missing is the long term strategies for anticipating change. In today economy is not easy to have long term vision. It is not easy to have the right skills if there is not a proper strategy.

The “plan de metiers” was introduced in 1980’s to introduce change in mentality. The costs for restructuring in the company are related to the need to preserve jobs. There is still a problem to change the approach of the parties. The financial compensation is an example of the approach still existent for which workers prefer to be redundant instead of maintaining job.

It is important to have flexibility during negotiating process for innovative solutions for maintaining people on the job.

Institutionalized and well structured social dialogue is very important and it is necessary for identifying instruments for anticipating changes. Social balance approach was introduced in the present legislation. Time constraints are an obstacle.

Job retention Plan presents some problems related to time constraints. Employers and workers should do more in the company for taking advantage from this measure.

Time constraints is again an obstacle.

For SMEs the opportunity for training offers is useful for maintaining people in the job.

In SMEs’ the mentality is based on Social responsibility concept. It is important to consider what happen after the lay offs, after the crisis. It is important anticipate lay offs. Investment on innovative sectors are crucial.

This survey needs to be put in the right framework, the aim is to have an orientation tool for family, at vocational level, it is not a proper tool in the context of restructuring. There are some positive elements in particular for job seekers, for developing opportunities for prepare people with low skills for entering into labour market.

- **Industrial relations and strategic dialogue**

Industrial Relations has the potentiality for being an instrument for anticipating. The legislation is forcing toward in that direction. There are all the elements in place in Luxembourg. But it is true if all the enterprises have all the information and if Industrial Relations represent an advantage. Multinational companies can have some problems in this regard. Economic and social context are important for developing Industrial Relations.

In Luxembourg there is a challenge because there is the opportunity offered by the Job retention plan. During the negotiation people are not the same in Comité de Conjuncture and the other phase of negotiation.

The main challenge is to distinguish Job Retentions. Plan and the measures for increasing Employment, new employment. Members of delegates are different in the negotiating tables. Off shoring is a problem today.

- **Collective and individual training programmes**

Co management and Industrial Relations are different measures.

Continuous training is one of the issue debated during negotiation. Individual access to training is very useful if people have not access it is important to introduce tools for matching these needs.

All types of companies are sensitized on the need to introduce continuous training. SMEs' are not using completely these programme, that are recognized to be very useful. The problem is to assess the level of assimilation of knowledge at individual basis, with regard to the collective learning.

In 2002 there was an agreement between social partners on this measures. Individual access was agree on the basis of the part time job condition. Company has their responsibility to introduce this measure for the collective and individual access.

The credit for workers for training programmes is based on the agreement signed in June 2009 for considering it as a part time job.

Co-management system similar in Germany, is the only in Luxembourg which allow people to have information on the decision of the Board Committee.

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

The Groups created in Luxembourg are key actors belonging to Industries, subcontracting R&D is a long term goal beyond the crisis. Luxembourg needs to develop new sectors in the market for creating new and high quality jobs.

Qualitative growth is an important means for our economy. Renewable energy market segment can create thousand new jobs. Diversification is not only to attract new company, but it is focused on new trends for anticipating change

- **Job retention Plan**

It provides for voluntary dismissal, the bonus system is very high but no net safe social security. Parties are free to find out the proper solution. Monitoring is provide by the Government.

Job Retention Plan regards the employability of workers in the framework of the flexibility.

The outputs of the above debate show that there has been a shared view by some participants that the job retention plan is to a large extent inefficient; some participants also pointed to its short history as there is a lack of experience.

Difficulties as far as intra-company dialogue is concerned, due to the fact that the mother company is often not based in Luxembourg, delocalization take place as a pretext to have access to a cheaper workforce and decisions are more and more taken in the mother houses, not based in Luxembourg.

A long-term strategy to anticipate cases of restructuring is essential and time is needed to see what competences are needed. Company mission: to take care of its workforce.

Financial compensation instead of maintaining in employment policy. No time constraints.

The voluntary approach has been at the heart of the job retention plan.

Imagination: it is important to imagine new alternatives to tackle problems of restructuring.
 Social dialogue has to be well structured with generally accepted requirements valid for everyone.
 The importance of the “co-management law” has been highlighted (as an anti-crisis instrument), with more participating measures, adaptation of this instrument is a key element.
 Change in the mentality has also been put forward.
 Idea of social responsibility has been highlighted: to keep people in employment.
 Develop new markets to create more jobs: i.e. greening economy.
 The study on competences: objectives for students and parents to be guided.
 It is vital to find solutions to create work. Idea of shared responsibility.
 Some companies already invest in training schemes.
 Clusters: important instruments to create jobs (generally regarded as positive and fruitful by some participants), objective: to anticipate in the long run with a focus on new key sectors for the economy.

Outcomes from brainstorming on ANTICIPATING

1. - the constraints within the legislation do not allow the development nor new activities
 - accessibility to government
2. - anticipating is not possible because of too many difficulties
 - Concept of Flexicurity not accessible or transferable mostly on the flexibility side
 - accessibility to government on accompanying restructuring
3. - diminishing competitiveness and need for a global consensus at national level
 - need for a regional modernisation of legislation
 - tradition for social dialogue
 - regulation of instruments
4. - Insufficient social dialogue
5. - international influences
 - social peace and social dialogue
6. - need for constructive and transparent social dialogue- need for trusting between all actors
 - need for time to find solutions,
 - proactive management of competences
7. - differences in wages between different countries
 - try to create employments in sector where they are mostly needed
8. - needs for specific know-how
 - it is possible to create a real social dialogue
9. - Conflictual social dialogue
 - too many blocking issues
10. - to be able to anticipate it is necessary to have the crisis
 - this is the time for real social dialogue, better to use it
 - take the chance = good info at good time

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

Round table no. 1

<u>Strengths</u>
Co management approach has an high consensus from Social partners.
Industrial relations can offer opportunities for anticipating changes
Companies are sensitised on the need to introduce continuous Vocational training
Credit for the training

<u>Weaknesses</u>
Job retention plan is perceived as not always the proper tool for anticipating. Very recent and no data available on strengths and weakness. Time constrains may be an obstacle
Economy based on multinational means that social dialogue mechanisms is quite difficult.
Lack of instruments for assessing learning acquired
Long term strategies need to be developed for anticipating change.
Financial compensation is not perceived as an effective tool
Time constraints limit use of Job retention plan.

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. 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	Key conditions for transferability
Competitiveness Observatory	<ul style="list-style-type: none"> • Competitiveness balance • Is an instrument that provides scientific indicators. 	<ul style="list-style-type: none"> • It is not easy to anticipate change without any data reliable. 	<ul style="list-style-type: none"> • It is a tool transferable for macro economic analysis.

3.2.3 Round Table session (afternoon).

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

The panel discussion was organized in a first debate around three 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 Luxembourg for anticipating restructuring. The main results of this first debate are summarized as follows:

- **Passive Labour market measures (redundancy payment , redundancy scheme)**

There is the need to reform in financial sector . There is a problem in terms of intensity of capital. What Dexia has done in the past, now it is not possible to do again. Workers work with particular working conditions due to the crisis.

Redundancy compensation were negotiated in the collective agreement. It is an important measure. Tools available are paid for a certain period for a temporary period. Early retirement in iron and steel industry is also useful.

When there is a redundancy schemes it means that there is no change to avoid layoffs and social plans are necessary. But it is essential to retain people in job. In particular, for vulnerable groups and low skilled workers. It is preferable to reduce severance pay , retain people in job and to use the funds for training programmes. This problem can be avoid with a strong social partnership. It is not easy to anticipate restructuring in SME' during the crises, because the companies are entered in the logic of redundancy.

- **Collective bargaining can change during the crisis.**

Collective negotiation is something that belong to the social partners.

Important collective bargaining is based on specific priorities. During the crisis it is not easy to define priorities because everything is urgent. What can encourage us in discussing in a more open way?

- **Chômage partial.**

It is quite difficult to analysis at the moment because companies that are dealing with Partial unemployment are currently in the process of the implementation. Next years it will be possible to assess the impact.

Partial unemployment gives some interesting results through training programmes, new job opportunities.

Partial Unemployment gives oxygen to companies to be better prepared after the crisis. It is an efficient instrument if you look at the number of companies asking for this tool.

The level of compensation is quite high. It is a comfortable rate comparing to other measures.

The outputs of the above debate show that exists an idea of an emotional attachment to companies that have shaped the economy of the country.

Contrast between industrial environment and the banking sector, more flexibility in the first.

Idea: can the financial impact of measures (i.e. part-time employment) still be ensured? The available financial means need to be used as efficiently as possible.

The proposal has been put forward that the amount of money paid for voluntary leaves should be transformed into accompanying measures.

A partnership as well as a good know-how are important elements.

Part-time employment has generally been regarded as a positive measure to help solving problems related to conjuncture (although also seen as a heavy investment).

During the debate opened to all the participants the following Strengths and Weak points came out:

Round table no. 2

<u>Strengths</u>
Redundancy compensation
Partial unemployment may offer training and job opportunities
High number of companies applying for Partial Unemployment

<u>Weaknesses</u>
Need to formalize the procedure of the Job retention plan.
Partial unemployment is a recent measure for which there is not impact assessment

3.2.4 GROUP WORK session (n. 2)

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

Case study	Success factors	Main problems	Key conditions for transferability
<p>Arcelor Mittal</p> <p>First company in the country in terms of GDP, number of employees, cycle of restructuring over 30 years. Tripartite approach: Luxembourg model Recycling pattern Transformation of steel production. Luxembourg 2011 agreement for strategy for working in iron and steel sector in the future years</p>	<ul style="list-style-type: none"> • Are available: <ul style="list-style-type: none"> - Industrial plan (investment, flexible product, etc...), - working conditions - Measures for accompanying the process - Changes in the organization (flexibility) •Continuous training •Regular meeting with stakeholders •Regular information to the Ministry of Labour •Clear commitment towards Luxembourg •Political willing to support the success of Arcelor 	<ul style="list-style-type: none"> •Redeployment measure, difficult to go back to the system. •Forcing people to go outside the company early retirement, the average age is very high •People's mentality, highly conservative •Early retirement measures need to be prepared properly 	<ul style="list-style-type: none"> • Welfare State system is essential for supporting this model •Consensus building process •Need to have long term visibility •Intensive investments in the company

	<ul style="list-style-type: none"> •Very effective experience •Workers have the opportunity to continue to work with geographical mobility •The example of Arcelor shows that the social dialogue mechanism as a long tradition •Trust for find solution •The context is very specific. 		
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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, good cooperation between social partners is considered a positive experience, while the lack of anticipating strategies is recognised as an obstacle for improving competitiveness.

Good Practice

1. The ABBL website
The saving accounts that has been adopted by Arcelor Mittal
2. The management of the restructuring anticipation is real and possible
3. Tripartite agreements iron and steel Industry
4. Educational approach
5. A good cooperation between all the involved parties
6. Flexibility is Social Dialogue
7. Arcelor Mittal did not dismiss during restructuring.

LESSONS LEARNT

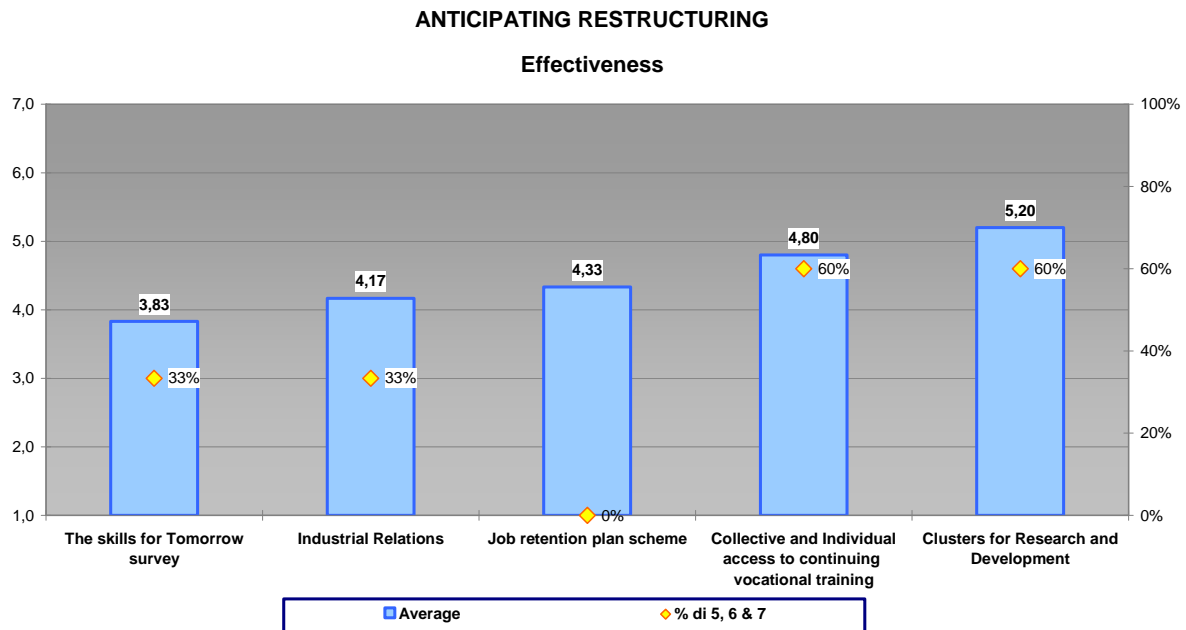
1. Social dialogue is possible only with the willing of all parties and allows an innovative consensus
 - anticipating means to find solutions in good time
 - to foresee different scenarios to face a potential problem
2. To succeed in the restructuring we need the willingness, the means, for example the willingness to restructuring and accompanying workers at the best, but we do not have the means (moreover the decisions are taken by companies which properties is abroad)
3. To be innovative in the Social dialogue without legislation constrains
4. It is a good and innovative industrial policy to reach cooperation between social partners

5. Some employers prefer to take up State indemnities instead of start-up a restructuring plan
6. Difficulty for SMEs' to understand anticipation and access accompanying measures
7. Pragmatic view to avoid too heavy measures

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

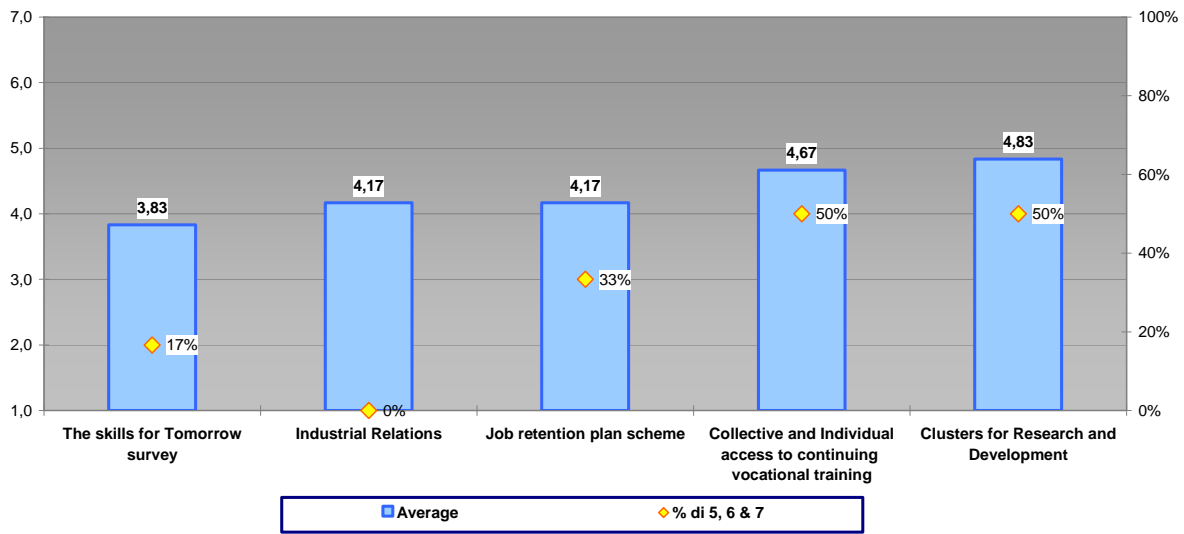
The aim of this exercise was to identify the priority themes according to the effectiveness and transferability criteria concerning the measures and tools discussed during the seminar.

The graphs show that among the Anticipation measures/tools the most effective is “clusters for R&D” that is also considered the tool with an high level of transferability.



ANTICIPATING RESTRUCTURING

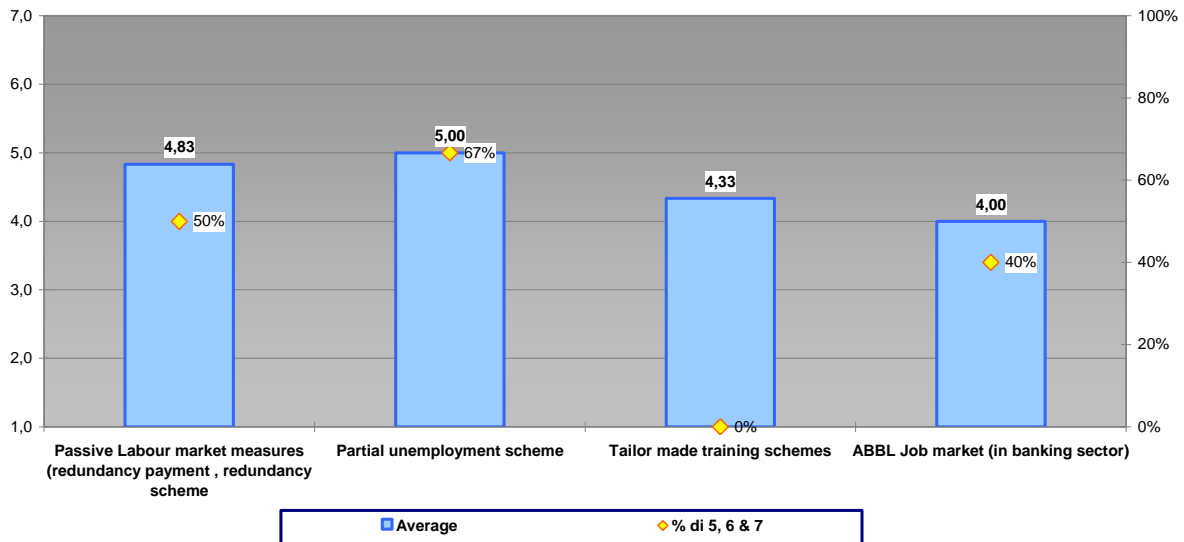
Transferability



Regarding Managing of restructuring the graphs show that the most effective measure is the “Partial unemployment scheme”, while “Tailor made training schemes” is considered the measure with an high level of transferability.

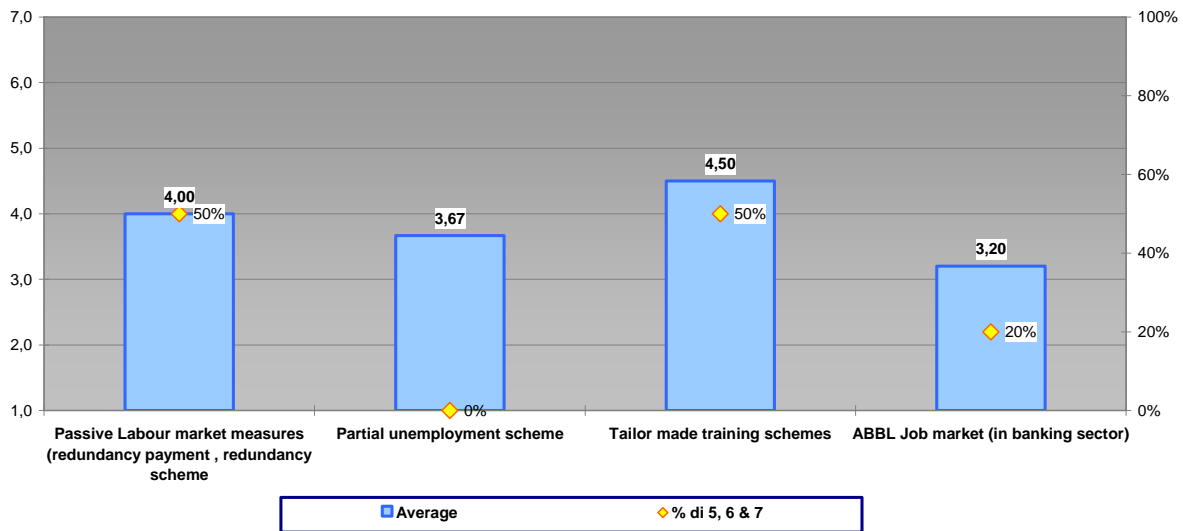
MANAGING RESTRUCTURING

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 one-day seminar has highlighted in principle that the Luxembourg system is mainly focused on Preparation and Management of Restructuring instead of real Anticipation with a specific focus on the recent experience of Job retention plan at company level.

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

- Luxembourg's economy has undergone major changes over the past three decades. The transition from an economy characterized by the dominance of the steel sector to an economy characterized by the dominance of the financial sector has been the main feature of this period. The downsizing process in the steel industry has been accompanied by a strong government presence in the management of the social consequences of the downsizing.
- In the recent period, Luxembourg has introduced a number of instruments to anticipate economic developments both at the macro-economic level (Competitiveness observatory) and on the level of companies (Job retention plan).
- Efforts were also made over the last years in the field of vocational training. For the time being, data on anticipated qualification needs of enterprises is however not much developed, but the creation of the Observatory of Continuous Vocational Training should allow for the future production of data. In what concerns the management of restructuring, there still seems to exist a general predominance of financial compensation

for redundancies over other types of measures, although there are attempts to develop strategies for job seekers including training and coaching.

- Today, it remains to be seen how social dialogue will evolve in the context of the management of the medium and longer term effects of the economic crisis. One difficulty is that the anticipation of economic developments and of qualification needs seems not yet to have become a daily practice implemented on the levels of economic sectors and branches, as well as on the level of enterprises. There are also presently a certain number of debates on the mandatory or voluntary character of measures (for instance in what concerns the Job retention plan), with trade unions pushing for mandatory measures, whereas employers highlight the need to allow for flexible and voluntary measures, and emphasize the notion of Corporate social responsibility.
- Redundancy schemes seem to be considered mainly as a manner of managing the social aspects of restructuring and of respecting the legal obligations of firms. Often the decision to reduce the number of workers seems already to have been taken and negotiations are on the implementation of the decision. During negotiations of redundancy schemes, there still seems to be a culture of financial compensation over other types of measures, like training measures. In order to make sure that the funds invested into training measures in the framework of redundancy plans are well managed, the creation of an advisory board is considered to be useful. In the absence of mid- and long-term studies on the evolutions of the labor market in Luxembourg, it is difficult to say which kind of training bring a real added value to employees. As Luxembourg's labour market could rely over the last decades on a steadily growing inflow of mostly young and qualified cross-border workers from the neighboring regions, the incentive to put into place training schemes for the local workforce was also less developed. This might change in the context of rising unemployment among the local workforce. The study "The qualifications of tomorrow" of the FEDIL gives informations on the hiring intentions of employers (which can be modified by economic evolutions) on a two-years horizon.

5. Main Results

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

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

1. key aspects of the Restructuring schemes in Luxembourg 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, 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 improve the quality of social dialogue.
- the need to better coordinate the different actors

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 Luxembourg.
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 Luxembourg model.

Finally, with reference to the Evaluation results based on the questionnaires filled in by the participants at the end of the Luxembourg Seminar the average of 3.45% was reached. The comparison with the ITC-ILO's activities benchmark of the participants' satisfaction [4, 26%] reveals a moderate satisfaction of the overall activity .