

ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

NATIONAL SEMINAR'S MINUTES DENMARK

Introduction

The minutes intends to provide the information on the implementation of the 12th event that has taken place in **Copenhagen** on **10th December 2009**. 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 a high level profile of the representatives from Public Authorities and Social partners at national and regional level.

Despite all efforts done, only **No. 8 participants** attended the seminar coming from the following Organizations/Institutions:

- Ministry of Labour (**no. 1**);
- Trade Unions (national level **no.3**)
- Employers' Organizations (**no. 1.**);
- Research Institutes : . (**no. 2**)
- Others (**no. 1**) [Disabled people Organization Denmark]

Representatives from the DG EMPL(**no. 1**) , .Eurofound (**no.1**), have joined the seminar.

3. Activities carried out

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

3.1 Results of NBP presentation

After the opening session, the key finding issues coming from the NBP were presented by the National expert.

In particular, the presentation has highlighted the main characteristics of the economy and Employment in Denmark, focusing on the Flexicurity model.

Features of the existing Restructuring framework were briefly introduced, with a particular focus on the number of bankruptcies, rate of survival destination of international outsourcing; clusters' organization. In 2003 the number of planned job reduction has increased significantly.

With regard to the current situation it is registered a sharp increase of unemployment. In addition to this, Danish companies are expanding new markets in China. Concerning the situation of workforce, old and young people are more vulnerable in the labour market and there is still a need for qualified workers with a potential bottleneck approach to ageing workforce.

During current recession 4 initiatives were launched by Government: focusing on i) *More flexibility for planning work sharing* (those flexible rules will enable more companies to temporarily reduce outputs without laying off employees in situation of declining production. ii) *Intensified surveillance of the labour market* (three indicators announcement of dismissal, job vacancies, inspection); iii) *Perspective of business in professional branches* (regional and local system in four Employment regions) iv) *Response strategies for vocational training systems, innovation incubators [Danish Council for technology and Innovation]*. There is an interesting Case : Lindoe Ship Yard. (described in details in the NBP) and discussed during the first group work session.

The transformation of the economic system was briefly presented with recent data and indicators, rate growth of GDP.

Different aspects of the anticipation process and response strategies to the current economic downturn were outlined including the analysis of the labour market, training system as well the different tools for anticipating (active labour market policies, HR management , workers employability).

In the afternoon 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 weak points.

All the presentations delivered by the representatives from the EC , National Expert can be downloaded from the website of the project in the Country section – Denmark.

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) broaden 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 4 key questions outlined by the ITC-ILO, presented 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 Denmark for anticipating restructuring. The main results of this first debate are summarized as follows:

- **Among the existing forecasting surveys what are main strengths and weaknesses**

The existing measures are useful in Danish context because Social partners are making use of them very well. There is a balance during the discussion when restructuring comes out. Period of notice is long enough according to Danish flexible model. Golden triangle of flexicurity is quite important. Another key element is the qualification system. The entire system is well balanced: Collective agreement system is based on a good legislation package. Survey conducted by financial sector employers organization shows that there is a need to improve qualification because it has an impact on restructuring processes. High level qualifications are needed. There is a need for job development, continuous training for employees for ensuring employability in case of dismissal.

Legislation says that dismissal can be avoided only when it is possible, how can be cautious? To what extent is the accompanying system relevant to transition? Collaboration between companies and PES is very strong. Many workers in financial sector have lost their jobs last year. Almost half of them have found another job. How to anticipate before that the company announces the crisis?

Prediction of what can happen in the future is possible when the macroeconomic situation is quite stable. The question is: what it's the demand in the companies? There are not sufficient statistics that can support specific needs expressed by companies. Data which are nine months old are of little use, particularly during the crisis.

In construction many employers don't want to train workers because they see the risk that employees move to another job. Another limit is that financial resources for training are not enough. In other sectors training is provided but sometimes it is not adequate to the specific needs. Statistics can be managed in different way: looking at employment rate there is a distinction between the stable work and the temporary job. In some sectors there big problems with training and qualifications. Works Councils can be the right place for discussing solution before the problem.

Can we anticipate change before the companies can do? We need to know what can be in the future but specific tools are needed, because sometimes change is different.

- **Regional and local system**

Regional forecast are quite precise.

It is important the cooperation and analysis on the situation within the company. It is very difficult to see what can happen in the future.

- **Industrial relations can be an instrument for anticipating restructuring?**

A study in the area of collective agreement shows that a company level it is possible to provide useful information for introducing working time reduction and an high level of cooperation, because workers are fully involved. The study was carried out before the crisis.

- **R&D is an efficient instrument for anticipating restructuring?**

R&D it is part of collaboration between research and companies. It is important to increase investments in research and to ensure a tight link between studies on innovation carried out by Researcher Institutes with the actual needs and potentialities for future development expressed by the companies.

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>
Forecasting on economic trends and skills gap are quite precise at regional level.	Short notice in financial sector doesn't allow to run training for qualification.
Qualification system is well balanced	Distinction between stable work and the temporary job affects statistics on employment rate.
Collective agreement system is based on a good legislation package	There are not sufficient statistics linked to the demand from companies.
Continuous Dialogue is an effective tool for creating stability.	Job development, continuous training for employees for ensuring employability in case of dismissal are tools still weak.
Initiatives for job creation though competitiveness and Innovation (e.g. Innovation Incubators Growth Fund High Tech Fund.)	Lack of specific measures for vulnerable workers and strategies for managing ageing workforce.
Work sharing agreements measure allows employers to react to temporary reductions without laying off workers.	Financial resources for training are not still enough.
Regional surveillance has been enhanced in order to allow local authorities to intervene in periods of transition.	Need for sectoral anticipatory measures, survey based.
	Need of labour market surveillance and Alert system
	Lack of data on demand side
	Workers often do not have sufficient time to get trained
	Workers don't have access to the most interesting training courses, related to the needs in the sector (example refurbishing respecting green standards in the construction sector)

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. 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.

Specific questions were proposed to each Group in order to better understanding the objectives 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	Potential areas of improvement
Lindoe Ship Yard	<ul style="list-style-type: none"> ▪ Even if Lindoe is closed it is an opportunity to create jobs . People from many regions can be employed. ▪ There is a capacity in Lindoe to anticipate change. ▪ A good example for creating a cluster in the Region for turning a gigantic ship yard steel company into a new industry in renewable production. ▪ Public private partnership was properly set up. 	<ul style="list-style-type: none"> ▪ Collective conditions framework needs to be set up. ▪ New funds are necessary if active partnership with Public authority will continue. ▪ How to find out different solutions for the facilities is still a weakness. ▪ It is still very crucial to assess how to increase production level. ▪ Real capacity of workers to acquire the needed skills. ▪ Potential distortion of competition if public money are used just for a single company. 	<ul style="list-style-type: none"> ▪ Sub suppliers and precarious workers contracts are losing job and need to be taken into consideration. ▪ To improve capacity to mobilize companies.
Job rotation scheme	<ul style="list-style-type: none"> ▪ It is focus on blue collars and low skilled workers. ▪ It is not expensive. ▪ Job rotation takes place in the company. 	<ul style="list-style-type: none"> ▪ It is not realistic in financial sector. 	<ul style="list-style-type: none"> ▪ This scheme is very recent but it has a potential impact. Hopefully in the future it will be very useful.

3.3 Round Table session (afternoon) .

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

The panel discussion was organized in a first debate around four main key questions introduced 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 Denmark for anticipating restructuring. The main results of this first debate are summarized as follows:

- **Re training schemes.**

Staff and companies have the right to getting in training paid by an amount of money from salary. Education and training for trade unions is essential for employability. Problems related to flex job concern the individual needs and in particular to be retained in job.

It is necessary to assess the impact of training in order to decide when and how to plan further training. It is important to make more efficiently the training . Sometimes no. 8 weeks training after dismissal are not enough or are not requested by the workers. The attitude is that training is delivered only when it is strongly necessary (example in the case of people with low skills). People need to be active themselves.

Effects of the agreement on globalization package seem that the participation to this scheme is mainly addressed to employed people and not unemployed. There is a lack of coordination between companies and job Centres Local employment councils (JLE) .

JLE Councils have resources for carrying out projects focused on workers with particular problem. The question is how to prevent problems that can arise?

During the crisis workers with disabilities are more at risk to become redundant.

- **Role of Regional and local authority.**

In the future the role of Regional and local Authorities it will be more useful. In the new structural reform in Denmark, the local authorities are relevant and it is necessary to coordinate them. What happen between municipalities? The increased responsibility is quite new. Social partners have to share with local stakeholders what is happening at regional level.

It takes time for strengthening the procedure; in the meantime workers loose their job. It is important to have a rapid context ready at local level. The latest reform of municipalisation of the job centre is very recent. Workers trust trade unions at local level because they are very close to their problems. Why people use the private network instead of job centres? Workers well skilled are not used to go to job centres. The best solution is to survive in the short run; if you don't survive in the short run, there is not a long run.

- **Collective bargaining.**

Results of tripartite negotiation during the crisis are very important. The crisis has not changed very much the tripartite dialogue. Trade unions have proposed suggestions for innovative approach in investment. It is not easy to know at local level how many collective agreements were suspended due to the crisis.

- **Early retirement schemes.**

Some workers make use of this measures when there are not any other alternative. Sometimes they have to accept it, in particular blue collars. It was introduced as a anti crisis tool many years ago.

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

Round table no. 2

Strengths
Results of tripartite negotiation during the crisis are very important. The crisis has not changed very much the tripartite dialogue.
National and regional collective bargaining systems work well.
Flexicurity model seems the best instrument to cope with the current labour market situation.

Weaknesses
Grants for warning pool are under used, even though this scheme offers interesting alternatives to traditional lay – offs.
Lack of qualified workers
Participation to the scheme based on the agreement on globalization package seems mainly addressed to employed people and not unemployed.
Need to enhance the assessment of the impact of training in order to decide when an how to plan further training.
The latest reform of decentralization at local level of the job centres is very recent. There is the need of a rapid context ready at local level.
Lack of coordination between companies and Job centres.
Need a better surveillance system
Job sharing schemes need to be combined with

3.4 GROUP WORK (afternoon)

In the afternoon one case study was analysed due to the limited number of participants. The results of the Group work session are the following:

Case study	Success factors	Main problems	Potential areas of improvement
Adult traineeships	<ul style="list-style-type: none"> ▪The original idea is very good for supporting people to move from a low skilled profile to a qualified diploma. ▪Useful tool for transform informal competencies without a piece of paper into a recognized skills certificate. 	<ul style="list-style-type: none"> •Difficult during the crisis for companies to have traineeships. • Companies still prefer hiring young trainees. •Public subsidies are available for young trainees, not for adults. During the crisis it is less important for companies to take in apprentices. 	<ul style="list-style-type: none"> •Although originally was intended to improve employment among unskilled workers, the scheme is being leveraged by skilled workers interested in upgrading skills.

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 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 box reveals that the comments and questions raised during the debate are confirmed by the final brainstorming exercise. In fact, the effective social dialogue mechanism and Adult trainees scheme were recognised as best practices in the country while the lack of information in time and the insufficient reaction from the Government in putting in place specific measures for responding to the effects of restructuring seem the main lessons learnt.

The main conclusions of the final brainstorming are summarized in the following box.

GOOD PRACTICES:

1. Good instruments in place to cope with restructuring.
2. Good cooperation between employers and workers organizations.
3. Well established dialogue between social partners.
4. Decentralized structure for training and labour market administration.
5. Flexicurity model
6. Adult trainees.
7. Lifelong learning approach can be used in all sectors.

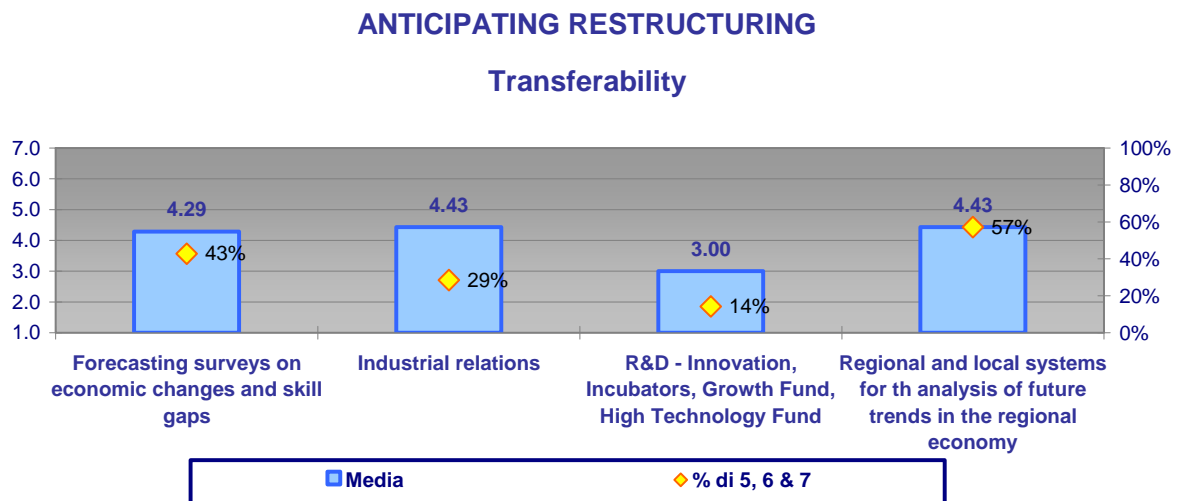
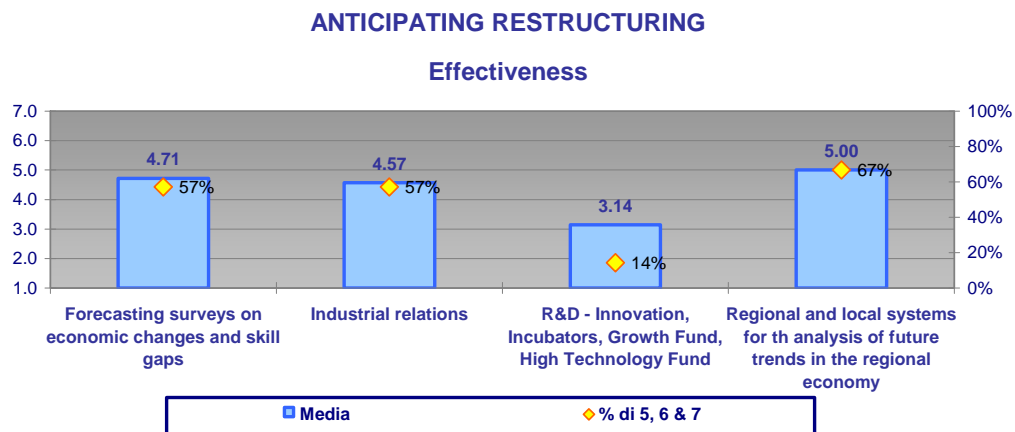
LESSONS LEARNT :

1. Lack of information in time, not very good reporting instruments.
2. Late or insufficient reaction from Government.
3. Time lag in the application of warning pool.
4. In case of mass redundancy the lesson learnt is that the cooperation between employers and local union need to be strengthened and start early.
5. Willingness in DK to pay for Flexicurity model through income tax.

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. Totally, no. 7 participants have expressed their opinion on the above issues.

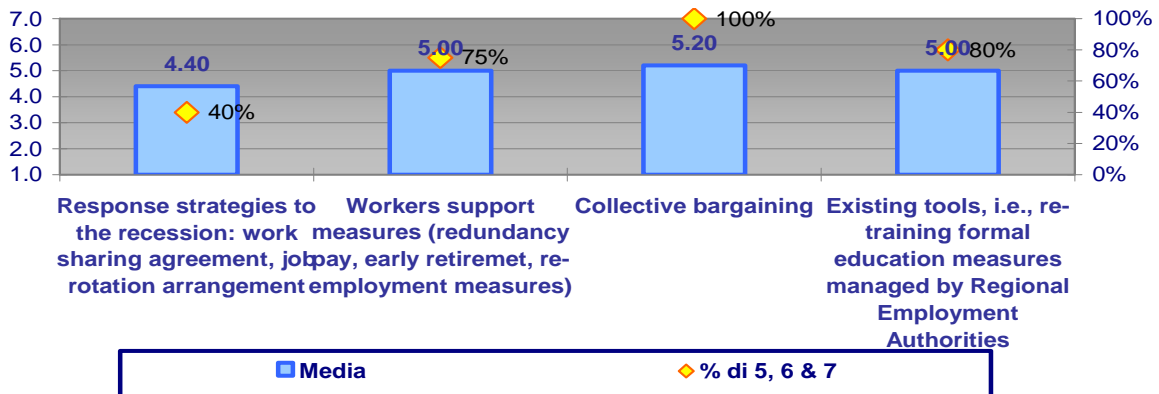
The graphs show that amongst the Anticipation measures/tools the most effective are the “Regional and local systems for analysing future trends” that are considered the tool with an high level of transferability together with “Industrial relations” system..



Regarding Managing of Restructuring the graphs show that the most effective measure is the “Collective bargaining system” while the “Re-training and Educational Programmes” managed by regional Employment Authorities are considered the measure with an high level of transferability.

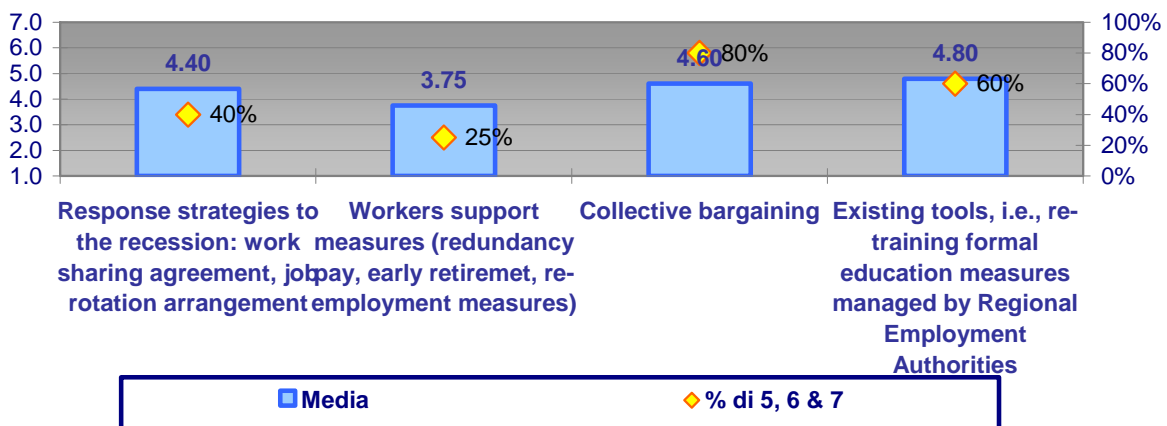
MANAGING RESTRUCTURING

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 Danish system is mainly focused on the Flexicurity model. In short the flexicurity model is a combination of very flexible conditions for adapting the Labour force to the economic development and a rather high level of unemployment compensation and continuous up skilling. The better the flexicurity model works the less need for general anticipatory measures and restructuring tools. However, the flexicurity model was developed in relatively good times, economically speaking, and the speed as well as depth of the current economic crisis has been a challenge to the Labour Market. In general, focus on both anticipatory and management tools is reactive rather than proactive.

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

1. The initiatives and tools to **anticipate** restructuring in Denmark are many and, according to the seminar outputs, basically sufficient. However there is room for improvements of the existing tools and stakeholders at all level should always strive to improve the existing tools.
- 1.1 The increased surveillance of the Danish labour market after the outset of the economic crisis was highlighted as a very useful initiative, which has enabled stakeholders to better foresee the need for restructuring initiatives. The three new indicators, *number of people announced for dismissal, number of vacancies and the number of people in work sharing agreements* all serve as good indicators for the development on the labour market. It was especially emphasized that it was very useful that the indicators could be broken down on regional and even municipality level. These new municipality and regional statistics enables decision makers to better intervene at the regional/local level in periods of transition.
- 1.2 The work sharing agreement scheme is a valuable instrument during periods of transition. The increased usage of the scheme from the third quarter of 2008 to the peak usage period in the second quarter of 2009 also indicates that employers have seen the potentials related to the scheme and efficiently utilized them.
- 1.3 Within demand driven job creation measures the Innovation Incubators, the Growth Fund and the High Tech Fund are all examples of initiatives that have been initiated in order to meet the technology and product demands of tomorrow. Positive side effects of the initiatives are that they increase innovation and competitiveness and thereby promote job creation. A current example is the closing of the last large shipyard in Denmark, Lindøværftet.
- 1.4 Vocational training is traditionally considered as a key instrument in order to navigate through periods of economic transition. There is the need of targeting the vocational training offers to the persons most in need of it. Young unskilled workers are a key target group in need of further vocational training.

2. Managing restructuring

- 2.1 *Flexicurity* model - seen as a whole – as being the best instrument to cope with the current state of the labour market. The general attitude towards the management of restructuring initiatives was that they should be the last resort in cases when the flexicurity model fails to solve the problems on the Danish labour market. It is too early to evaluate which initiatives are more successful than others.
- 2.2 Warning pool as being under used. The reason for the under usage of the grants relates to the long processing time of the applications compared with the relatively short term of notice that Danish firms enjoy. The above circumstances means that in many cases when an application is accepted then the persons in consideration will already be dismissed and thereby unemployed. Faster processing of applications is definitely an area that could be improved in order to ensure a more efficient usage of the warning pool grants, according to the seminar participants.
- 2.3 The real challenge to the Danish Labour Market is the lack of Labour, that will occur, when the current economic downtrend is reversed, and not the least of qualified Labour.
- 2.4 For the current crisis the collective bargaining system seems to work well, both on the national level and on the local level. At the worst, local collective bargaining has resulted in sustaining wage levels rather than increasing wages. In some instances even voluntary wage reductions have been accepted as a short term measure to cope with the economic crisis. When dismissals have been unavoidable the local union representatives have been involved in the planning of how and when in a number of instances.
- 2.5 The economic crisis has affected the Danish Labour Market as all other Labour Markets in Europe. Unemployment has risen dramatically but from an extremely low level (1.3 pct.) to a level about half the EU-average. Accordingly there is still a widespread perception among employers and employees, experts and politicians, that the most important measures to cope with the crisis is to sustain the flexicurity model and increase training and education in order to prepare for the reverse of the economic downturn.

5. Main Results

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

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

1. key aspects of the Restructuring schemes in Denmark were put in evidence.
2. strengths and weaknesses of specific measures were analyzed as well as three case studies.
3. a synthesis on key concepts: Anticipation, Social dialogue approach, Territorial partnership, Managing restructuring measures and tools was carried out.
4. the need to set up an information system on a regular basis for providing data in time on changes and trends was stressed.
5. Suggestions were highlighted on :
 - the future role of the territorial dimension,
 - the relevance of strategic development of economic policies at regional level
 - the need to better coordinate the different actors.

From the technical side the Seminar offered the opportunity for:

1. Shared knowledge on the main experiences in Denmark.
2. Better understanding of the meaning of Anticipation and the need to strengthen a comprehensive system of Anticipatory measures in the Country.
3. The relevant role of the regional dimension.
4. Shared opinion on the relevance and effectiveness of the role of the Social Dialogue in Denmark.
5. the well functioning mechanics of Social Dialogue

Finally, with reference to the Evaluation results based on the questionnaires filled in by the participants at the end of the Danish Seminar the average of 3.75 % was reached . The comparison with the ITC-ILO's activities benchmark of the participants' satisfaction [4, 26%] reveals a quite good satisfaction of the overall activity .