

# ANTICIPATING and MANAGING RESTRUCTURING: 27 NATIONAL SEMINARS

VC/0667/08

## NATIONAL SEMINAR'S MINUTES Lithuania

### Introduction

These minutes are intended to provide a summary of the proceedings and results of the National Seminar on Restructuring for Lithuania which took place in Vilnius on **5<sup>th</sup> November 2009**. 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 Lithuanian National Background Paper.

### 2. 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 in Lithuania was the 8<sup>th</sup> seminar in this series and aimed to present and discuss the most important measures and tools used for anticipating and managing restructuring in Lithuania, particularly their effectiveness and potential transferability. A National Background Paper (NBP) on Restructuring was written for the seminar by an independent national expert. 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 Lithuania as well as highlighting interesting company practices and case studies. The NBP was presented at the seminar as a discussion draft 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 Lithuanian with simultaneous interpretation into English.

### 3. Participants

Participation at the Lithuania 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 Lithuania. 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 selection of the invited participants took into consideration the need for ensuring a high level of representation, including knowledgeable and appropriate representatives from government and the social partners. 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 34 participants** attended the seminar coming from the following Organizations/Institutions:

- Government (no 10);
- Trade Unions (national and regional level (no. 8);
- Employers' Organizations (no. 3);
- Testimonial from companies (no. 1) ;
- Research Institutes / Others : . (no. 12)

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

### 3. Activities carried out

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

The first part of the seminars was focused on:

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

#### 3.1 Results of NBP presentation

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 Lithuania.
- ♣Features of the existing Restructuring framework. Restructuring was defined as everything related to companies changes and impact on Employment. In Lithuania there are two main concepts: employment and unemployment and it is important to tackle the intermediate level. Layoffs can be avoided based on this intermediate framework.
- ♣ Transformation of the economic and occupational system was briefly described including some recent data and indicators.
- ♣ Different aspects of the anticipation process and response strategies to the current economic downturn were analysed. In Lithuania there are some statistical data on restructuring but no specific information on foresights measures in order to know in advance new skills required in relation to structural changes. In 2009 no. 170 cases of restructuring were announced in Lithuania. About sector, electricity is the most affected by restructuring together with food sector . Number of companies bankrupted is increasing in first semester 2009 , in particular in manufacturing and metalwork sector.  
Underdeveloped regional economic strategies represents a problematic issue, as well as the lack of a proper training strategy in particular for re training low skilled workers (just some experiences funded by ESF).
- ♣ Regarding managing restructuring process , phase, procedures, role of social partners, including main challenges were presented.  
The existing types of measures/tools for managing restructuring were analysed with a specific focus on the analysis of the strengths and weak points.  
A new version of job promotion measure was recently adopted for redundant people or people that have reduced income . The aim is to improve skills and competencies of low skilled 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 – Lithuania (<http://arenas.iticilo.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 EXISISTING MEASURES AND TOOLS ARE SUFFICIENT AND USEFUL TO ANTICIPATE RESTRUCTURING IN THE CURRENT ECONOMIC CRISIS ?*

The panel discussion was organized in a first debate around 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:

#### ▪ **Existing active measures**

Statistics in 2004 have showed many restructuring cases. Lithuania is a small country but the number of restructuring is quite high. Companies are set up for profits. Should the State interfere? How and who to take care of redundant workers? Unemployment benefit is not enough, it is important to motivate people on re entering into the labour market. Ministry of Labour doesn't know to escape from the problem. Situation is extremely difficult. The annual programme of implementation of Lisbon strategy is focused on stabilization of the labour market. How many people registered in the PES and how many new jobs are created? There is a consistent number of new jobs during the crisis. It is important to avoid long term unemployment during the crisis. Before the crisis most of unemployed were low skilled workers, now also mid management workers.

Only 8 per cent of people participating to active measures have chance to re enter into the labour market. The employment fund this year was used for unemployment's benefit. Only ESF is promoting active measures. 2008 the law on employment motivation counselling was changed, but it takes time. There are new measures not yet applied i.e. for workers in companies with some financial difficulties, for redundant re integrated and not integrated. It is crucial to attract people in the LM with a long term strategy.

Regarding statistical research method for forecasting trend , there are few short term surveys forecasting different sectors monthly based.

Conclusions for specific sectors are the following: if balance is negative jobs will decrease and vice versa.

Surveys conducted by PES are focused on labour exchange done by office forecast - barometer, including survey of partial employment .

- ***Territorial strategies and planning***

An interesting case is represented by the Working group on restructuring created three years ago in Panavinish region.

Special office of PES was established in the company for providing specific assistance. Many workers have found alternative jobs before bankruptcy.

Some participants found job in public works. This was not satisfactory.

Women redundant were used to work in a specific sector: training was provided. They were forced to change their attitude and motivation. No major contribution for economic growth in the territory was put in place, but the social impact was very high.

- ***Industrial relations***

In 2008 the situation has changed radically, most of workers have left voluntary companies. Early retirement option is a good option for supporting young generation. Before joining EU there wasn't any agreement with stakeholders: it depends on the situation of the country: some times from Trade Union side, sometime from employers.

There is not a unified forum in Lithuania for discussing together restructuring issues.

Today there is not social dialogue, no coordinated legislation. Unemployment benefit is higher than minimum income. Bankruptcy is increased because is more convenient. Restructuring request more efforts.

From Employers side: we can not anticipate only to forecast. Government needs provide directions, guidelines .Which sector could be more competitive?

Actual government path is not sufficient for employers. It is requested by employers to eliminate administrative barriers for self business.

- ***R&D, incentives to innovation and partnership with Universities.***

Research experts are not considered properly. It is necessary to stay seat around a table with all the stakeholders and to decide in which direction to move on in a very practical term. It is strategic a close co operation with Universities.

Research can support employers in a liberal market . Legal references took different elements of the same aspects: legal tools need to be coordinated. It is not easy to combine research and business opportunities. There is a risk that EU funds won't be used. More efforts need to be undertaken.

**What are the main obstacles for the Anticipation in Lithuania ?**

The main strong point is the legal framework.

Weak points:

Lack of information and consultation of workers.

Lack of coordination between stakeholders,

lack of social dialogue,

no anticipation strategy lack of regional and local policies,

no fully application of law, no predictable tools.

During the debate opened to all the participants the following Strengths and Weak points has been raised:

### Round table no. 1

Strengths	Weaknesses
Law on job promotion provides for active labour market policies but it is recent. Measures available: training for workers still working.	Not many companies are applied for job promotion measure.
Working group on territorial strategies	Synergy between entrepreneurship and employment.
	Lack of Monitoring system on benefits of training service.
	R&D: information not well developed. and not equal developed.
	Regional development : local authorities have useful information for solve local problems They could be very useful, but now is everything centralised.
	4 measures discussed during round table are not existing in Lithuania for anticipating restructuring.

### 3.2.2 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.

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	Advantages	Main problems Disadvantages	Potential of improvement
<b>Surveys on forecasting trends</b>	Data reliable but only short term forecast. Possible to identify threats that can influence productivity of the companies.	<ul style="list-style-type: none"> <li>• .not sufficient sources of information.</li> <li>•Lack of information from local authorities, companies (different scales)</li> </ul>	<ul style="list-style-type: none"> <li>• Forecasting information for specific new jobs</li> <li>• Surveys on short term and long term .</li> <li>• How to better use statistics?</li> </ul>

		<ul style="list-style-type: none"> <li>• More useful existing information if Government specify which kind of investment can be put in place.</li> <li>• Lack of coordination between surveys</li> <li>• Lack of monitoring</li> <li>• Need to have a third method: not only on employment and companies level. Insufficient economic surveys</li> <li>• How to optimize reply from companies?</li> </ul>	<ul style="list-style-type: none"> <li>• To strengthen the feedback to companies.</li> <li>• New methods for carrying out in future surveys.</li> <li>• Financial resources .</li> </ul>
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### 3.2.3 Second Round Table session (afternoon)

The second Round Table session aimed to discuss more in depth the following issue : MANAGING RESTRUCTURING IN Lithuania : 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 for anticipating restructuring. The main results of the debate are summarized as follows:

- **Passive measures**

Economic recession doesn't allow employers to pay severance payments. Business must be protected, therefore there is a transition period covered by EU funds, then long term requests measures for respecting principle of social solidarity.

Labour code provides that severance payment can be paid by instalments

Employers sometimes don't have cash and therefore people don't receive any payment, they can appeal to the Court.

Most important is retaining people in jobs Early retirement can not be supported in the future by pension schemes. Demographic change imposes to reduce number of early retirement. Early retirement can be considered as a temporary measure during the current crisis and depends on different sectors with flexibility.

- **Collective bargaining**

At the moment it is not easy to consider collective agreement as a practical tool. Bargaining process on severance payment is an example. Main role of collective bargaining is based on the need to create trust and common interest. But this is possible only thanks joint forces. If employees are not united the situation can not be solve. Maybe business incubator can solve this situation. Self employment investment needs to be explored. Social dialogue is quite difficult when there are representatives of small companies. No problem with large scale companies.

Tripartite councils are established a territorial level. We need collective representation.

- **Social impact: individual incentives or incentives for new investors?**

There are potential conflicts between employment and investment in business. Today is not evident that investments in production create employment.

Recently it was decided to reduce corporate tax in order to increase social plans and achieve social corporate responsibility.

In some sectors there are collective agreements but during restructuring cases companies think about how to cut jobs. Other companies think to take advantage by the crisis to restructure the company.

First priority is retaining job through collective agreement. How to increase collective agreement? A possible solution is to improve capacity to negotiate. Investments are welcome but they must provide socially responsible measures to be undertaken.

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

Round table no. 2	<u>Strong points</u>	<u>Weak points</u>
a)	Analysis of limits of early retirement measure. It is not sustainable by pensions schemes due to demographic change.	Early retirement is a controversial issue.
b)	Tripartite councils at territorial level.	Business culture of employers
c)		Experience of collective agreements reveals the need to enhance the role negotiation for improving working conditions and social plans.
d)		Sustainability of severance pay measureduring the crisis

### 3.2.4 GROUP WORK session (afternoon)

During the afternoon session two case studies were analysed . The results of the Group work session are the following:

	<b>Success factors</b>	<b>Main problems</b>	<b>Potential of improvement</b>
<b>Ignalina Nuclear Plant</b>	<ul style="list-style-type: none"> <li>• 2 projects with Swedish and Danish partners</li> <li>• process of social partnership was quite active.</li> <li>• Problems related to the social guarantees for redundant: special guarantee was set up.</li> <li>• Early retirement was set up.</li> <li>• Compensation was paid to redundant.</li> <li>• Guaranteed funding as an important factor for reducing social tensions</li> </ul>	<ul style="list-style-type: none"> <li>• administrative burden in applying Globalization Adjustment Fund</li> </ul>	Not identified



<b>Alythaus Pimpe</b>	<ul style="list-style-type: none"> <li>• .Development of social plans involving coordination of measures and local stakeholders</li> <li>• Working group was established very profitably.</li> <li>• Global Adjustment fund was well used.</li> <li>• Alternative solutions founded for employment, looking to other EU experiences..</li> <li>• Guaranteed funding as an important factor for reducing social tensions</li> </ul> <p>Mix of active and passive measures provided.</p>	<ul style="list-style-type: none"> <li>• Globalization funds provides support only for dismissed workers, additional financial resources are needed.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Not identified</li> </ul>

### 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, experience in Lithuania contradicts ILO message on SSER. Social guarantee are introduced. Business and employment are not walking together with the economic development.

#### **Lessons Learnt**

- There is a lack of efficient and strategic forecasting instruments in Lithuania
- Improvement of forecasting instruments is necessary
- Acquired knowledge regarding systematic view on restructuring
- Too narrow approach to restructuring prevail in Lithuania
- It is necessary to increase CSR in Lithuania
- Good legislation is not sufficient
- It is necessary to warrant guarantees for employees
- Possibilities to use resources of Globalisation Fund

#### **GOOD PRACTICES**

- Particular attention paid to the phenomenon of restructuring (including different financial resources, social partners, etc.)
- Availability of different funds to tackle consequences of restructuring
- Particular cases, examples of support for workers – Danisco sugar, Ignalina Nuclear Power Plant, etc.
- Efforts of all partners to anticipate and manage restructuring processes
- Social dialogue helps better anticipate and manage restructuring
- Good management of restructuring may help not only for particular enterprises or employees, but for the whole region
- Possibilities to use active labour market policy measures

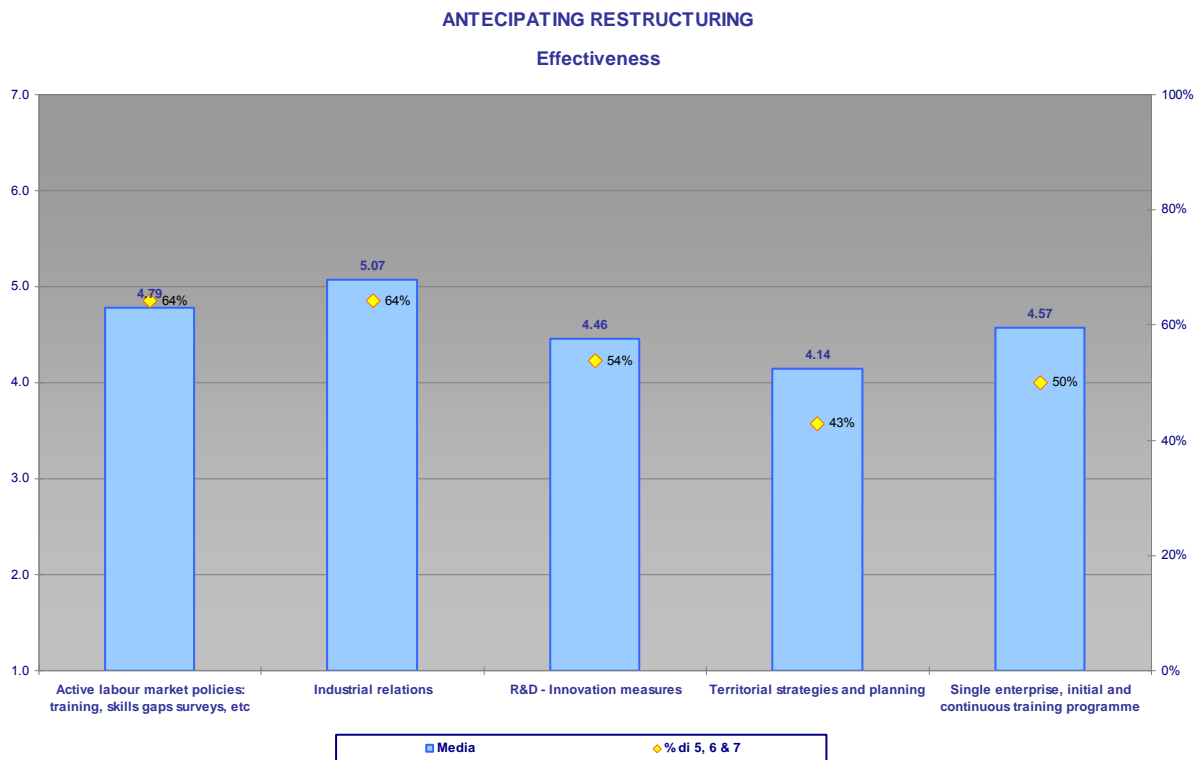


### 3.6 Evaluation session on effectiveness and transferability of measures/tools for Anticipating – Managing Restructuring

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

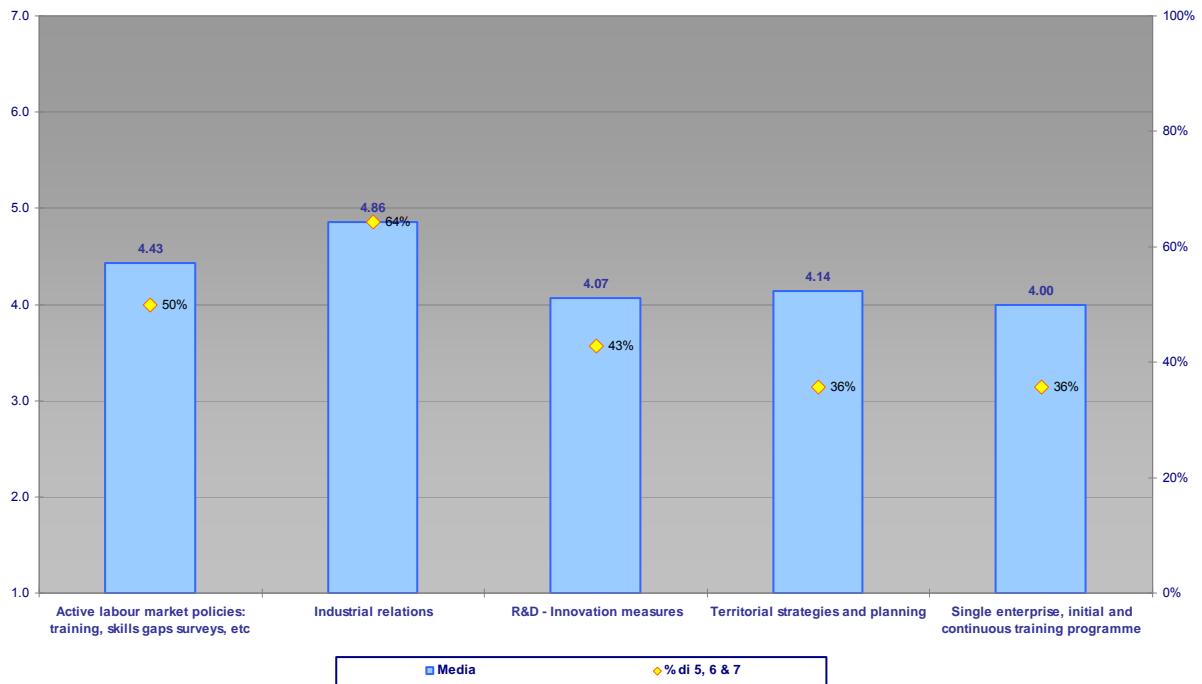
The graphs show that among the Anticipatory measures/tools the most effective and useful is represented by “Industrial Relations”, that are also considered the tool with an high level of transferability among EU countries.

The evaluation results have highlighted the perception expressed by the participants on the future perspectives in terms of improvement of the current situation instead of assessing the effectiveness of the existing measures.



## ANTEICIPATING RESTRUCTURING

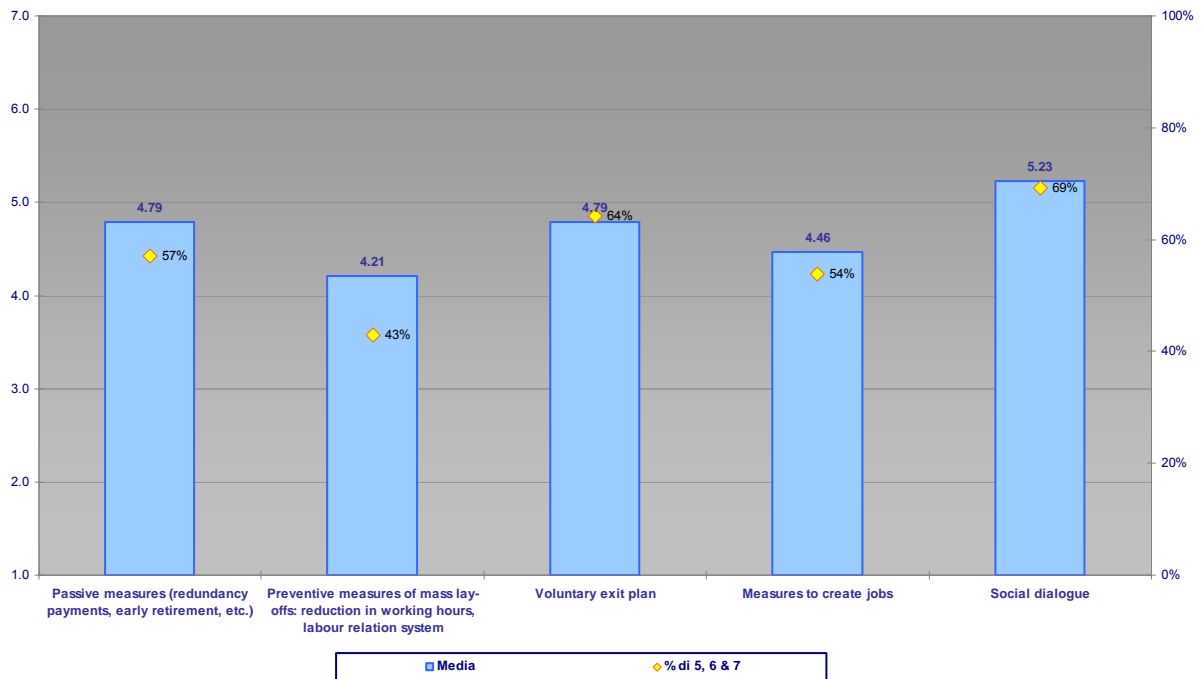
### Transferability



Regarding Managing of restructuring the graphs show that the most effective and useful measure is considered the " Social dialogue , that has also an high level of transferability among EU countries. The evaluation results have highlighted the perception expressed by the participants on the future perspectives in terms of improvement of the current situation instead of assessing the effectiveness of the existing measures.

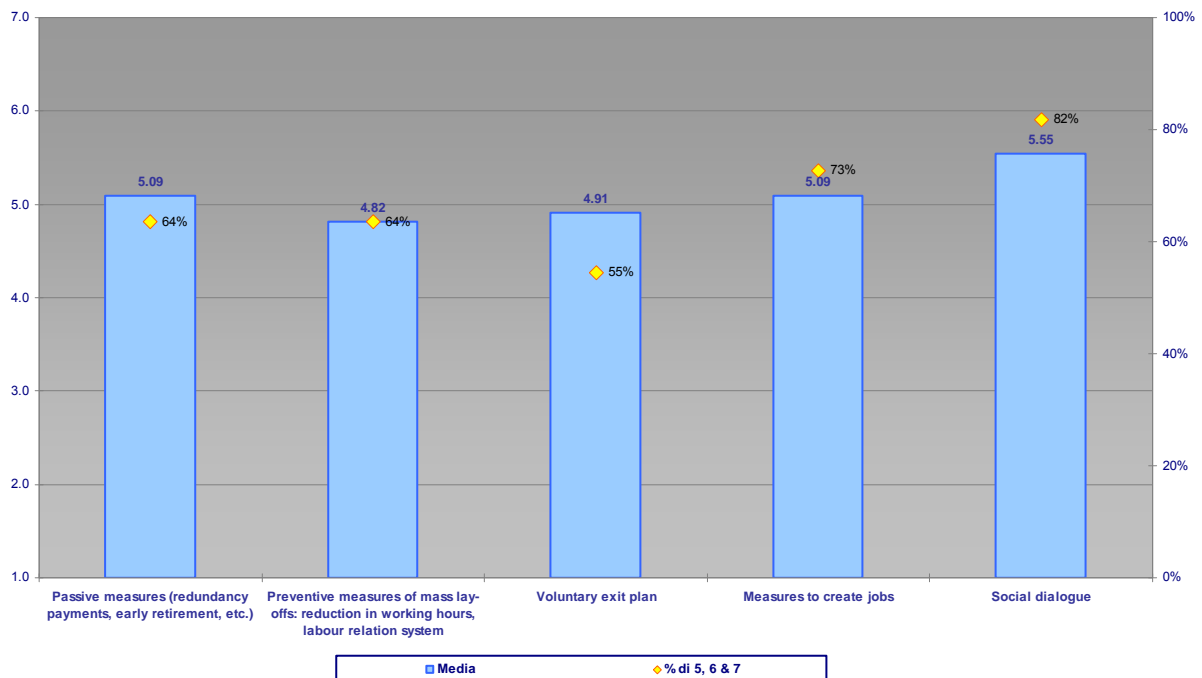
## MANAGING RESTRUCTURING

### 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 Lithuanian system is mainly focused on Preparation of Restructuring instead of real Anticipation.

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

- Well-targeted policy formation and implementation in the anticipation and management of restructuring is not only a must but also an inevitable measure in order to mitigate the ensuing negative economic and social consequences. The assessment of the existing measures and tools for anticipating, preparing and managing restructuring in Lithuania reveals an insufficient, complex and well-targeted system consisting of a number of individual policies and measures that should have been better attuned and coordinated in order to achieve better efficiency thereof.
- the absence of sectoral economic forecasts in Lithuania to address some the shortcoming situation doesn't allow actually to generate employment forecasts in individual economic sectors.
- The 3 methods used in Lithuania to project employment trends (business tendency survey (including the number of employed) by Statistics Lithuania, forecasts of the number of employees and part-time survey by the LLE), though being sufficiently informative, are not inter-compared and, what is of particular importance, the results of the mentioned surveys should be used more efficiently in pursuing economic and social policy.
- In the nearest future already the role of regional authorities and social partners in anticipating and preparing for restructuring should increase. Both social partners and regional/national authorities usually get involved in the process of restructuring management only after a decision on redundancy of a group of workers is already adopted. In such a situation, enterprises undergoing economic or financial difficulties could hardly receive any assistance or support; the currently valid opportunities for postponing some debts to the State budget should also be more solid.
- As social partner institutions do not have adequate capabilities for assisting enterprises found in a difficult situation or foreseeing likely problems in certain regions or sectors, public authorities of various levels should assume greater responsibilities in this area. Targeted regional policy encompassing, inter alia, the processes of anticipation and management of restructuring, should be elaborated in Lithuania as well.
- The recently adopted new version of the Law on Support for Employment provides for certain measures aimed at assisting employees in enterprises facing economic difficulties. Effectiveness and practical applicability of these measures could substantially contribute to a better situation. To achieve this, however, transparent, effective and easy-to-implement mechanisms should be put in place. An important role in this context might be vested upon the social partners, who are best aware of the practical aspects of tackling the problem.
- It is necessary to form a target policy of anticipation and management of restructuring, to create instruments required for this purpose encompassing surveys of likely changes, training of employees with required qualifications, investment attracting and regional job creation process in Lithuania. Analysis of foreign experience in this area would be very useful, because there are no traditions of managing restructuring processes in Lithuania.

- The legislative existing package in the country regarding certain stages of anticipation and management of restructuring is quite relevant, but its practical implementation requires further changes .The main precondition for such changes is the development of social partnership and better activity of the social partners on local level. Case analysis and social partners' experience put in evidence that available resources and measurers are quite sufficient for achieving good results through the involvement of all concerned parties with the aim to pursue common goals.

## 5. Main Results

The National Seminar has contributed to the capitalization and systematization of the knowledge and practice on Restructuring in Lithuania, with a particular focus on the experiences in the context of the Law on Support for Employment.

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

1. key aspects of the Restructuring schemes in Lithuania were put in evidence.
2. strengths and weak points of specific measures were analyzed as well as three case studies.
3. a synthesis on key concepts: Anticipation, Social dialogue approach, Territorial partnership was carried out.
4. Suggestions were highlighted on :
  - the future role of Social partnership,
  - the need to introduce forecasting tools for better know skills gaps
  - the importance to support a fully implementation of existing legislation on anticipation and management of restructuring measures ,
  - the need to better coordinate the different actors
5. Main challenges were highlighted : Training for accompanying change, improving Social dialogue system.

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

1. Sharing knowledge on the main experiences in Lithuania
2. Better understanding of the notion of Anticipation .
3. More in depth analysis of the weakness of the current system in particular in the area of anticipation and collective agreement.
4. Shared opinion on the relevance and effectiveness of the role of the Social Dialogue in Lithuania.

Finally, with reference to the Evaluation results based on the questionnaires filled in by the participants at the end of the Lithuanian Seminar the average of 4.44% 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 .