

European Added Value Assessment

on a EU legislative instrument on information and consultation of workers, anticipation and management of restructuring processes

ANNEX III

Aspects relating to the economic and social impacts

Research paper
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Abstract

This assessment note has been commissioned by the European Added Value Unit of the European Parliament. The objective of the study is to evaluate the economic and social impact of EU legislation relating to the consultation of workers as well as the anticipation and management of restructuring processes. In our assessment, we have focussed on the impact of early consultation and training.

Our research indicates there can be a positive impact of both early consultation and training on job security and employability of workers affected by restructuring. The aggregate level of impact across the EU will be reduced by the fact that a number of Member States already have in place early consultation and training at or above current proposed levels. Aggregate impact will also be dependant on both the level and geographic distribution of any future restructuring.

A European framework of minimum standards could be beneficial in addressing these issues but compliance at Member State and company level needs to be taken into account. In addition, given the fragmented evidence base on restructuring, establishing permanent monitoring bodies as foreseen by the Draft Report would be beneficial for future planning and assessment purposes.

AUTHOR

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Executive summary

This study investigates potential impacts of the “Draft Report with recommendations to the Commission on Information and consultation of workers, anticipation and management of restructuring” (henceforth Draft Report). It provides a first snapshot of the impact of the main measures identified in the Draft Report. The main findings are outlined below:

- There is evidence of early consultation and training having a positive impact on job security and employability during restructuring processes.
- The cost effectiveness of these measures depends on:
 1. the size of the company;
 2. the percentage of employees put at risk;
 3. whether the whole workforce or only those at risk benefit from early consultation and training; and
 4. the number of workers actually made redundant after early consultation and training.
- In line with the spirit of the Draft Report we have assumed that early consultation and training are carried out with the total workforce.
- At company level, training seems to have a stronger positive impact on employability than early consultation.
- At the same time, training appears to be less cost-effective than early consultation.
- In Member States with well-established early consultation and training practices the added value of the recommendations in the Draft Report is likely to be lower than in countries where such measures are less developed. The EU aggregate impact will also depend on the distribution of planned redundancies across the Member States. On this basis, we estimate the aggregate impact of the recommendations at EU level to be approximately half the potential impact observed at a company level.
- The evidence base confirms there to be significant variation in terms of current scope and extent of measures in the Member States. Consequently, a European framework of minimum standards could help address this issue, taking compliance at both Member State and company level into account.
- Currently, the evidence base is fragmented. In order to improve it, the outline framework for monitoring of restructuring events which is already in place should be further developed. Establishing permanent monitoring bodies as foreseen by the Draft Report would allow for coherent assessment of restructuring activities which should be welcomed by all stakeholders.

The research was carried out in several steps:

- First a number of secondary sources was analysed to extract case studies of company best practices
- Selected information on the prevalence of training and the state of early consultation practices in Member States was used to construct a baseline scenario.

- The impact at company level was aggregated from the case studies. The cost effectiveness was then assessed by combining this impact with information on cost of measures derived from secondary sources.
- The impact at country level was assessed by combining the baseline information with the results of the company level effectiveness. This information was then aggregated at EU level.
- The resulting findings give an indication of the main impacts the discussed measures can have but it is difficult to isolate the effect of individual measures.

Measures in the Draft Report are likely to generate added value, especially in the case of early consultation. Under adverse economic conditions both early consultation and training can have a positive impact even if they are not as effective as at the company level. In light of this, provisions on early consultation presented in the Draft Report could be further developed. Given that company compliance is likely to be one of the main challenges, the enforcement and sanction mechanisms foreseen in the Draft Report are particularly important in ensuring that impacts will be realised.

1. Introduction

This report constitutes an assessment note on the “European Added value of a Directive on information and consultation of workers, anticipation and management of restructuring processes”. It aims to assess the impact of the specific legislative measures proposed in the Draft Report with recommendations to the Commission concerning this topic (henceforth Draft Report). Due to the complexity of the subject area and the scope and timescales of this study, the report provides an early assessment of the potential impact of the key measures in the report. It focuses in particular on early consultation, as well as training and skills development measures and their impact on job security and employability. Other measures and impacts are also investigated, but, due to limited availability of quantitative data, they are not subject to the same degree of analysis.

The analysis in the report is based on secondary information and distinguishes between potential impacts at company and country level. Given the nature of the secondary data used in the report, which consists primarily of existing case studies, there are a number of limitations to the research. In particular, isolating the exact effect of individual measures is a major challenge. To address these limitations, the analytical approach explores the potential implications of levels of impact diverging from those extracted from the case study data. In addition, our approach to country-level analysis includes a consideration of compliance and its potential effect on EU aggregate impact.

It is important to note that any action in the area of information, consultation and training during restructuring must take into account the broader industrial relations context in the EU as a whole, as well as in individual Member States. This is a complex field with a wide body of existing research. Due to the scope and timescales, this study focuses on individual measures and their impact and therefore the sections below do not discuss the industrial relations context beyond these specific measures. For the same reason, we do not distinguish between unionised and non-unionised activities when discussing workforce consultation in companies.

The report is structured as follows: **Section 2** sets out the context of the study, including an outline of the Directive. **Section 3** outlines the existing European legal framework and national practices in the area of consultation and training, which informs the country-level analysis. **Section 4** looks at evidence concerning impacts, existing data on costs of consultation and training, and presents the company-level and country-level analysis. The final section outlines the main implications for future research in the area.

2. Background

The following sections outline the policy background to the Draft Report and present data concerning restructuring activity in the EU. The final section outlines the key recommendations made in the Draft Report and examined as part of this study.

2.1. Study context

The Draft Report can be regarded as a response to the pressures on the European economy stemming from the recent economic downturn. In particular, the Information Document related to the Draft Report¹, notes two main weaknesses, namely:

- difficulty of ensuring quick reallocation of resources, human resources in particular, from declining economic activities to emerging ones; and
- difficulty to provide individual workers with a real chance of professional future when their jobs are at risk by improving their capacity to adapt to change

At the same time, the document notes unequal access to existing support measures, as well as lack of anticipation and actions taken on company level. Despite legislative action on European level, described in more detail in Section 16, the report notes that, given a European dimension to the phenomenon of restructuring, there currently is no European framework to approach this issue in an integrated manner. The recommendations in the report aim to address this and the study looks at the evidence concerning the potential impact of the main measures proposed in the Draft Report.

2.2. Level of restructuring in the EU

The sections below outline evidence concerning the current level of restructuring and trends.

2.2.1. Level of restructuring

The European Restructuring Monitor (ERM) database, run by Eurofound, Dublin, provides information on the level of restructuring across the EU. It is important, however, to note the following main limitations of the ERM data:

- It is based on large restructuring events reported in the principal national media;
- It covers restructuring that involves the reduction or creation of at least 100 jobs or “employment effects affecting at least 10% of a workforce of more than 250 people”

¹ European Parliament. 2012. First Draft Cercas Report. 030512. Information Document. To the motion for a European Parliament Resolution with recommendations to the commission on information and consultation of workers, anticipation and management of restructuring processes (2012/(INI)).

This means that the data from the ERM may, on the one hand, underestimate the total impact of restructuring (since some cases may not be reported) and, on the other hand, overestimate the restructuring cases falling within the scope of the Draft Report, which only covers enterprises with fewer than 500 employees, rather than 250 employees. It is therefore important to bear these limitations in mind when using the ERM data.

According to the ERM database, in 2011 there were 1,332 cases of restructuring events in the EU27, resulting in 464,448 planned job reductions and the planned creation of 220,236 jobs (a net reduction of 244,212 jobs). The table below presents the 2011 breakdown by country.

Table 1 - Restructuring cases 2011

Country	Planned job reductions	% Planned job reductions	Planned job creation	% planned job creation	Net job reduction	% net job reduction	# Cases
France	77,793	16.71%	59,808	27.16%	17,985	7.33%	195
United Kingdom	99,246	21.32%	37,141	16.86%	62,105	25.33%	187
Poland	35,487	7.62%	28,232	12.82%	7,255	2.96%	149
Germany	25,030	5.38%	24,151	10.97%	879	0.36%	78
Spain	24,345	5.23%	4,470	2.03%	19,875	8.11%	78
Czech Republic	15,423	3.31%	11,768	5.34%	3,655	1.49%	68
Romania	14,613	3.14%	10,879	4.94%	3,734	1.52%	60
Sweden	10,749	2.31%	4,140	1.88%	6,609	2.70%	57
Hungary	8,077	1.74%	6,651	3.02%	1,426	0.58%	46
Italy	25,481	5.47%	1,880	0.85%	23,601	9.62%	45
Slovakia	9,158	1.97%	8,133	3.69%	1,025	0.42%	43
Ireland	5,625	1.21%	4,225	1.92%	1,400	0.57%	41
Slovenia	7,111	1.53%	2,161	0.98%	4,950	2.02%	35
Netherlands	35,866	7.71%	140	0.06%	35,726	14.57%	35
Finland	8,248	1.77%	950	0.43%	7,298	2.98%	33
Belgium	5,326	1.14%	740	0.34%	4,586	1.87%	33
Portugal	4,961	1.07%	3,894	1.77%	1,067	0.44%	29
Austria	3,282	0.71%	2,090	0.95%	1,192	0.49%	27
Greece	39,488	8.48%	250	0.11%	39,238	16.00%	21
Lithuania	1,311	0.28%	2,130	0.97%	- 819	-0.33%	19
Bulgaria	2,962	0.64%	3,210	1.46%	-248	-0.10%	14
Denmark	2,848	0.61%	350	0.16%	2,498	1.02%	13
Latvia	300	0.06%	1,028	0.47%	- 728	-0.30%	9

Luxembourg	928	0.20%	1,095	0.50%	- 167	-0.07%	7
Estonia	0	0%	400	0.18%	- 400	-0.16%	4
Malta	500	0.11%	320	0.15%	180	0.07%	4
Cyprus	290	0.06%	0	0%	290	0%	2
Total	464,448	100%	220,236	100%	244,212	100%	1,332

As the table shows, most restructuring cases in 2011 occurred in larger Member States (UK, France, Poland, Germany and Spain). These Member States also saw the largest total numbers of job reductions, although in a number of Member States similar large scale job reductions took place across fewer cases (Italy, Netherlands, and Greece). In order to understand the impact of restructuring on the number of redundancies, it is important to compare the number of job reductions with the number of jobs created through restructuring. Looking at the net job reductions, the United Kingdom, Greece, Netherlands, and Italy appear to be the Member States most affected by restructuring in 2011. This data should be treated with some caution, however, since its accuracy could be undermined by countries under- or over-reporting the number of job losses and/or creations. Indeed, the ERM database likely over-reports to some extent, mainly because it reports on announced rather than actual job reductions and the counting of events is based on reports in the media – in many cases, the actual number of job losses is smaller than originally planned, due to negotiations with the workforce, or other measures to reduce impacts, but this is sometimes not captured by the database.

With regard to cumulative impact of restructuring over time, the total number of cases recorded between 2001 (when the ERM started collecting data) and the current year² was 13,951 resulting in a total of 4,741,220 planned job reductions and creation of 2,560,147 jobs (net reduction of 2,181,073 jobs)³. Annex 1 outlines the cumulative extent and impact of restructuring in this period in more detail.

Due to lack of other reliable EU-wide data sources and the fact that the majority of the reported job reductions are likely to be a result of restructuring in large enterprises, this study will use the ERM database and 2011 data will be used as a basis for aggregating the impacts.

2.2.2. Restructuring trends

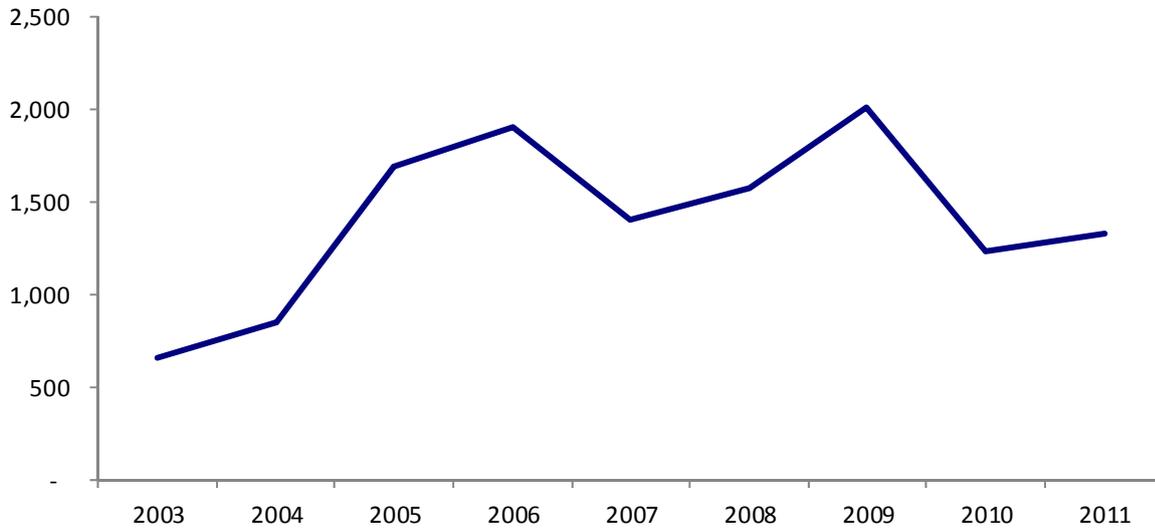
In addition to understanding the current levels of restructuring and their impact, it is also worthwhile considering their trends. The following figures outline the trends in number of restructuring cases and job creation and reduction over the period 2003-2011.

² As of 23 August 2012

³ ERM Restructuring events database.

<https://eurofound.europa.eu/emcc/erm/index.php?template=stats>

Figure 1 - Number of cases 2003-2011

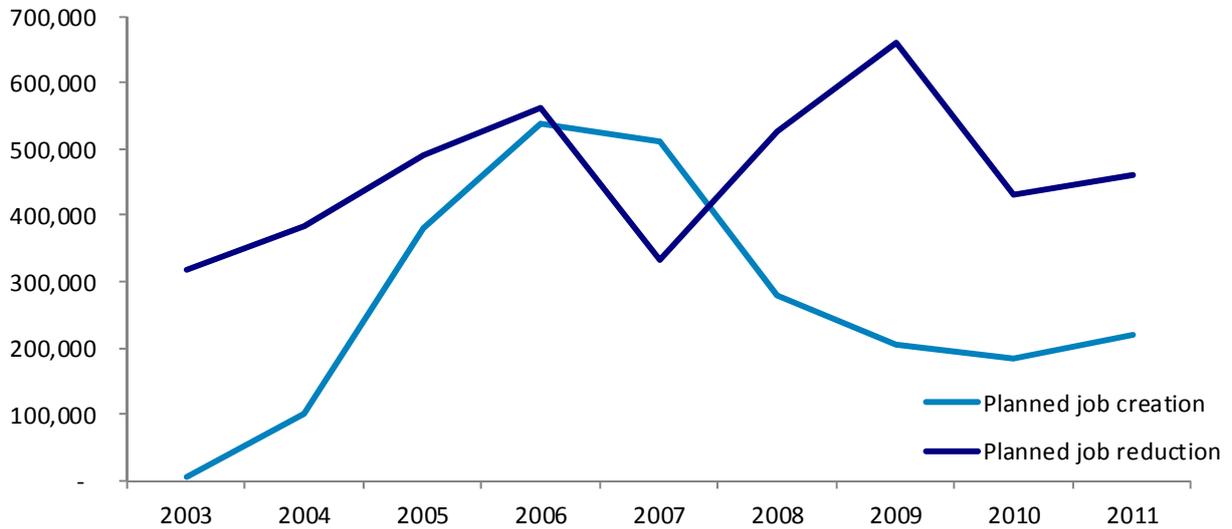


Source: ERM Restructuring events database.

<https://eurofound.europa.eu/emcc/erm/index.php?template=stats>

As can be seen in the above figure, the number of restructuring cases peaked twice in 2006 and 2009 with the latest data pointing to a potential gradual increase. The following figure shows the number of job reductions and creations over that period.

Figure 2 - Planned job creation and reductions 2003-2011



Source: ERM Restructuring events database.

<https://eurofound.europa.eu/emcc/erm/index.php?template=stats>

The above figure reveals the differences between the two peaks in the number of restructuring cases. Whereas in 2006, the number of job reductions was matched by job creation, in 2009, following the start of the latest economic downturn, the rise in the number of job reductions has been accompanied by a fall in the number of jobs created, resulting in a much higher number of net job reductions. 2011 sees both the number of restructuring cases as well as job reduction and creation on a gradual upward trend. This suggests that, although the number of job reductions could go up in the future, the net number of net reductions appears stable, which needs to be taken into account when drawing conclusions on the basis of the 2011 data.

2.3. Nature and scope of the proposed Directive

The following section outlines the content of the Draft Report and presents a conceptual understanding of the impacts of the Recommendations contained therein.

2.3.1. Content of the Draft Report

A key step in assessing the impact of the Draft Report Recommendations⁴ is to identify the main changes the recommendations would bring about, as well as define their scope. With regard to the latter, the Draft Report covers restructuring operations that fulfil the following criteria:

- Restructuring occurs at companies of at least 500 employees in the EU;
- Restructuring affects at least 100 employees in a single company or 500 employees in a company and its dependent companies;
- Restructuring takes place in one or more MS; and
- Restructuring takes place over a period of 3 months.

In order to estimate the number of people across the EU affected by this Draft Report, the limited data availability has to be acknowledged. There is no estimate of the number of companies with more than 500 employees in the EU. However, in 2010, there were 43,034 companies with more than 250 employees in the EU, constituting 0.2% of the total number of enterprises.⁵ In 2010, companies of this size and active in the non-financial business economy employed 43,257,098 people, 33.1% of a total of 130,717,890 workers in the EU.⁶ This means that the Draft Report would affect a relatively small number of enterprises, but potentially a substantial proportion of the workforce. Given that the

⁴ European Parliament. 2012. DRAFT REPORT with recommendations to the Commission on Information and consultation of workers, anticipation and management of restructuring (2012/2061(INI)).

⁵ ECORYS. 2011. Are EU SMEs recovering ? Annual Report on EU SMEs 2010/2011. p. 2 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2010-2011/annual-report_en.pdf

⁶ ECORYS. 2011. Are EU SMEs recovering ? Annual Report on EU SMEs 2010/2011. p. 50 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2010-2011/annual-report_en.pdf

average number of persons employed in large enterprises (>250 employees) in the EU-27 in 2010 for the non-financial business economy was over 1,000, a majority of the workforce employed in large enterprises (>250 employees) is likely to be employed by enterprises employing over 500 workers.

The recommendations contained in the Draft Report impose a number of obligations on companies and public authorities. The particular focus of the study will be on those Recommendations that entail concrete obligations for companies and where the impact of measures can be assessed. These recommendations are presented below (a more detailed overview of the recommendations can be found in Annex 2):

Table 2 – Recommendations made in the Report

Obligations for companies	
<i>Recommendation 5</i> <i>(Training, anticipation & skills development)</i>	<p>Companies shall establish, in cooperation with employees’ representatives:</p> <ul style="list-style-type: none"> • Mechanisms for long-term planning of quantitative and qualitative employment and skills needs • Multiannual plans of employment and skill development covering the following areas: <ul style="list-style-type: none"> ○ Creation of learning advisors to help employees select adequate training ○ Regular individual skills assessment & individual training maps ○ Individual training plans with quantitative targets ○ Annual training budget ○ Individual learning accounts ○ Training packages ○ Leave of absence for educational purposes ○ Specific training measures to tackle possible developments <p>Every employee shall be offered a given number of hours of training per year.⁷</p>
<i>Recommendation 7</i> <i>(Information and consultation)</i>	<p>Any restructuring shall be subject to an early explanation and justification to all relevant stakeholders.</p> <p>Companies shall from the beginning inform the public authorities at the relevant level and involve them in the preparation of the restructuring process.</p>
Obligations for public authorities	
<i>Recommendation 11</i> <i>(Public support & monitoring)</i>	<p>Public authorities shall monitor the mechanisms for long-term planning, and multi-annual plans of employment and skills needs to be developed within companies.</p> <p>In regions affected by structural change, public authorities shall:</p> <ul style="list-style-type: none"> • Create permanent bodies, networks or observatories for monitoring purposes

⁷ In its proposed Code of Conduct on Restructuring, the Commission includes a requirement for companies to provide employees with at least 45 hours of training per year. (GHK. 2010. Preparatory study for an impact assessment of a European Code of Conduct on Restructuring. Final Report. p. 102)

	<ul style="list-style-type: none"> • Promote territorial employment pacts • Promote or create mechanisms facilitating employment transitions • Implement training actions benefiting SMEs • Favour regional employment and economic and social re-conversion
Recommendation 12 <i>(Financial support)</i>	Public authorities shall co-finance employability measures that favour employees of companies undergoing restructuring, insofar as this support is necessary or appropriate.

In addition to the main substantive measures, the Draft Report also goes beyond previous Directives (such as the Information and Consultation Directive 2002/14/EC) in terms of enforcement, since it recommends Member States to provide for appropriate measures in the event of failure to comply with the Directive, including adequate administrative or judicial procedures to enable the obligations imposed on companies. It also specifies **sanction mechanisms**:

- Member States are asked to ensure that non-compliant companies do not benefit from any funding from the EU budget in the five-year period following a judicial decision recognising the breach;
- Member States shall exclude these companies from the benefit of public aid from the national budgets during the same period;
- Nothing shall preclude the use of funds from the general budget of the EU and from national budgets for the direct benefit for the employees of non-compliant companies.

To sum up, the remainder of the study will focus on the following obligations:

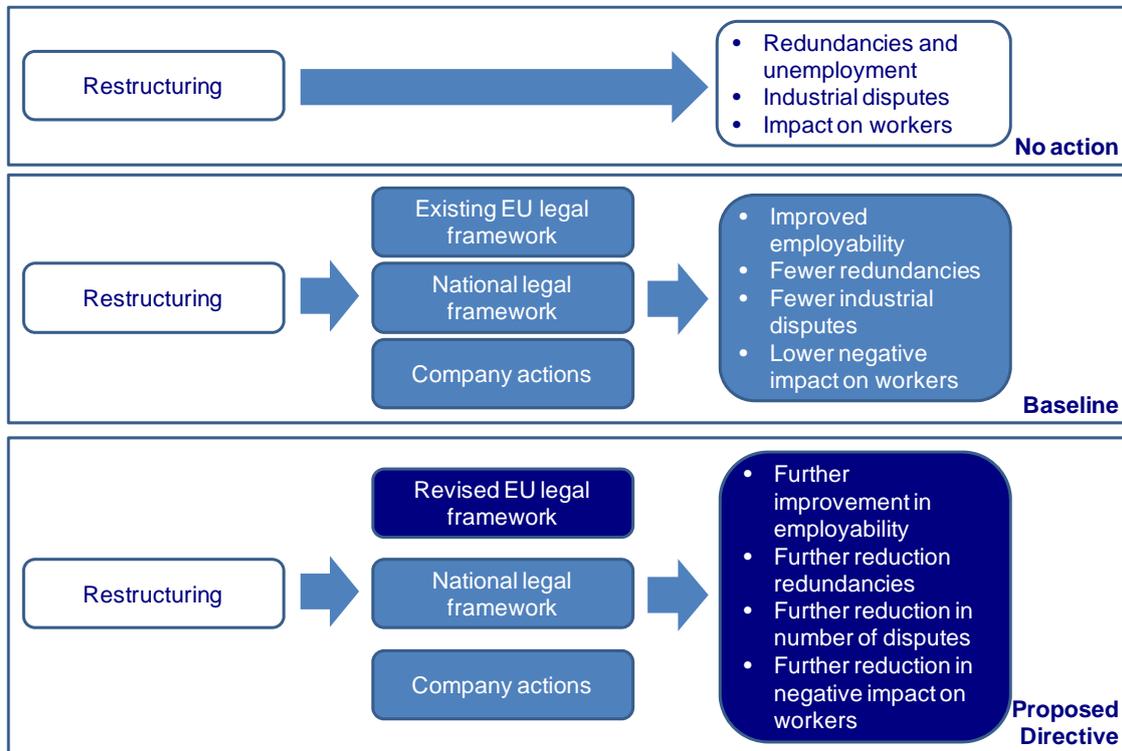
- Obligation to provide training and engage in long-term planning of skills development (Recommendation 5); and
- Obligation to engage in early consultation with relevant stakeholders (Recommendation 7).

The above obligations are viewed as the key obligations in the Draft Report and are also ones where there is sufficient data to arrive at quantitative assessment of impact. In addition, the study also looks at evidence concerning public co-financing of employability measures, as well as public monitoring mechanisms (Recommendations 11 and 12).

2.3.2. Intervention logic

The figure below outlines the preliminary intervention logic for the proposed Directive, outlining the key potential impacts.

Figure 3 - Intervention logic



As the figure shows, the Draft Report effectively seeks to improve the existing EU legal framework, which is one of the elements of the broader framework around information, consultation and training that affects the impact of restructuring. This means that this study will not compare the impact of the recommendations of the Draft Report with the “no action” scenario, but rather with the ‘baseline’, meaning that any impact of the proposed Directive will need to be isolated from the impact of the existing framework.

Since there will be differences between individual Member States and individual companies in terms of steps already taken in the area of consultation, and training, as well as differences in terms of the extent to which Member States provide public support, the recommendations of the Draft Report will have different impacts across Member States and companies.

This study does not intend to look in detail at the national regulatory frameworks regarding early consultation and training, let alone try and isolate the impact of national policies from the impact of the EU legislative framework. Rather, the following sections will focus on a) existing practices across Member States, as well as b) the impact the measures are likely to have under different conditions. These two elements are essential for assessing the impact of the Draft Report and will be explored in the following sections.

3. Baseline

As explained in the previous section, the added value of a new Directive depends on the extent to which it introduces improvements to the existing situation, while the magnitude of impact in each Member State will depend on their existing practices. This section therefore describes the existing regulatory framework at EU and Member State level.

3.1. EU legislative framework

The EU has addressed problems around information and consultation as well as restructuring in a number of Directives throughout the past 15 years. It is important to consider the following legislation, since any additional obligations (as outlined in the draft report) will supplement the existing provisions.

- The **Directive 98/59/EC (relating to collective redundancies)** specifies that an employer who envisages collective redundancies must provide employee representatives with specific information concerning the projected redundancies and needs to consult with them. The Directive thus aims to improve protection for workers affected by such decisions. It also lays out provisions on practical support for the employees who are laid off.
- The **Directive 2001/23/EC (relating to the safeguarding of employees' rights in the event of the transfer of undertakings)** provides, among other substantive rights, for information and consultation of employees by the transferor and/or the transferee (Article 7).
- **Three Directives provide for the involvement of employees (2001/86/EC on information, consultation as well as participation of employees in the supervisory board or board of directors of the company) in enterprises adopting the European Company Statute (2001/2157/EC) or the European Cooperative Society Statute (2003/1435/EC).**
- The **Directive 2002/14/EC (Information and consultation Directive)** established a general framework for informing and consulting employees in the EU that seeks to strengthen social dialogue within enterprises and ensure employee involvement in decision-making, with a view to better anticipate problems and prevent crises. It sets minimum principles, definitions and arrangements for information and consultation of employees at the enterprise level within each country. The Directive applies to organisations with either at least 50 employees or at least 20 employees, according to the choice made by the Member State.
- The European Parliament in its **Resolution of 19 February 2009** assessed the implementation of this Directive and acknowledged significant delays in its transposition in some Member States and urges those countries to adopt it as soon as possible. It also stresses that in those Member States where no general system for informing and consulting employees existed before the Directive will have an obvious impact.
- The **Directive 2009/38/EC (for the establishment of a European Works Council or a procedure for informing and consulting employees)** replaced a previous Directive (94/45/EC). It applies to companies or groups with at least 1,000

employees in total and at least 150 employees across at least two Member States. It seeks to enhance the effectiveness of such Work Councils with regard to ensuring the right of employees to information and consultation. It emphasises that information must be provided without slowing down the decision-making process in undertakings and that information and consultation should be integrated with national employee representation bodies.

The Directives 98/59/EC, 2001/23/EC and 2002/14/EC are currently undergoing a fitness check in order to assess whether they are 'fit for purpose' in the context of the Commission's policy of better regulation. The Commission envisages presenting key findings in a Communication during 2012.

3.2. Member State practices

As shown in Figure 3, the impact of any new obligations will depend on the existing legal framework. This framework will, in turn, consist of EU legislation transposed and implemented in individual Member States together with national initiatives and actions taken by individual companies. As mentioned in the previous section, within the parameters of this study, it is not possible to isolate how any new EU legislation would interact with the individual elements of this framework. Instead the following sub-sections look at broad Member State-level practices in the areas relevant to the main measures investigated, regardless of whether they have a source in existing EU legislation or other initiatives. This helps generate a broad overview of how national practices relate to the measures outlined in the draft report, which can in turn be used to determine the level of impact in individual Member States (presented in Section 4.4.1.).

3.2.1. Early consultation

Company practices concerning consultation in individual Member States will depend on national policy framework for training and skills development, as well as individual companies' practices with regard to training and skills development over and above any statutory requirements. A Eurofound study on information and consultation practices five years after the adoption of Directive 2002/14/EC looked at information concerning information and consultation bodies and arrangements in individual Member States. This information can be used as a proxy to categorise Member States in terms of the degree to which companies already carry out early consultation. Countries with a stable pattern and *mature* arrangements for consultation, normally through works councils, were classified as *High*. Countries with an improved take-up of Information and Consultation arrangements were classified as *Medium*. Finally, countries with a declining or low take-up of Information and Consultation arrangements were classified as *Low*. This information is presented in the table below.

Table 3: Assessment of information and consultation practices

Member State	Early consultation ⁸
Austria	High
Belgium	High
Bulgaria	Low
Cyprus	Low
Czech Republic	Low
Denmark	High
Estonia	Medium
Finland	High ⁹
France	Medium
Germany	High
Greece	Low
Hungary	Low
Ireland	Low
Italy	Low
Latvia	Medium ¹⁰
Lithuania	Low
Luxembourg	Medium
Malta	Low
Netherlands	High
Poland	Medium
Portugal	Low
Romania	Low
Slovakia	Medium
Slovenia	Medium
Spain	Medium
Sweden	High
United Kingdom	Medium

⁸Eurofound. 2011. Information and consultation practice across Europe five years after the EU Directive. p. 12 f.

⁹Information for Finland was not available. Consequently, a Eurofound database was used to arrive at an assessment of the quality of early consultation in Finland. According to the database, employers must notify the workforce 7 weeks in advance of redundancies and consultations last for six weeks and include discussion on how to avoid job losses. Consequently, Finland is ranked as *High*. Source : https://eurofound.europa.eu/emcc/erm/erm_car/tn0608036s.htm

¹⁰As in the case of Finland, no data was available for Latvia. Consequently, a Eurofound database was used to arrive at an assessment of the quality of early consultation in Latvia. According to the database, employers in practice rarely consult before they publicly announce redundancies. At the same time, *if* there is consultation, it usually lasts for at least 60 days and includes consideration concerning minimising job losses. Latvia is thus ranked as *Medium*. Source : https://eurofound.europa.eu/emcc/erm/erm_car/tn0608036s.htm

3.2.2. Training and skills development

Company practices concerning training and skills development in individual Member States will depend on national policy framework for training and skills development, as well as individual companies' practices with regard to training and skills development over and above any statutory requirements. Data on prevalence and investment in vocational training of employees provides an indication of the degree to which companies provide and invest in training in the respective Member States. Using the two data sources one can construct a simple typology of Member States, where Member States with higher values in both data sources would receive a *High* rating. The following section presents the relevant data and aggregate rating.

Table 4 - Participation and investment in training in the workplace

Member State	Percentage of employees participating in continued vocational training courses (2005)	Total cost of continued vocational training as a percentage of total labour cost (2005)	Aggregate rating ¹¹
Austria	33	1.4	Medium
Belgium	40	1.6	High
Bulgaria	15	1.1	Low
Czech Republic	59	1.9	High
Denmark	35	2.7	High
Germany	30	1.3	Medium
Estonia	24	1.6	High
Ireland	49	2.2	High
Greece	14	0.6	Low
Spain	33	1.2	Medium
France	46	2.3	High
Italy	29	1.2	Medium
Cyprus	30	1.3	Medium
Latvia	15	0.8	Low
Lithuania	15	1.2	Low
Luxembourg	49	2	High
Hungary	16	1.9	Medium
Malta	32	1.8	High
Netherlands	34	2	High
Poland	21	1.3	Medium
Portugal	28	1.1	Medium

¹¹ In order to have an indication of the degree to which Member States are already active in the field of training and skills development, the data in the first two columns of this table is combined and broken down into thirds. For each indicator, the top third of Member States were scored as *High*, middle third as *Medium*, and lower third as *Low*. Scores are therefore relative, not absolute. Two scores were combined to yield *High* if two scores were *High* and *High* or *High* and *Medium*, *Low* if scores were *Low* and *Low*, or *Low* and *Medium* and *Medium* otherwise.

Romania	17	1.1	Low
Slovenia	50	2	High
Slovakia	38	1.8	High
Finland	39	1.5	Medium
Sweden	46	2.1	High
United Kingdom	33	1.3	Medium

Source: CEDEFOP

3.2.3. Public financing and monitoring (Recommendations 11 & 12)

In addition to the practices in the areas of consultation and training, it is also important to consider the public support practices. According to Eurofound's 2011 ERM Report on public instruments, **in most Member States there is no comprehensive, systematic or specialised framework for anticipating or managing restructuring.** Measures of anticipatory nature have been identified in a few Member States, including Austria, Bulgaria, Denmark, Ireland and the UK. Overall, two thirds of the support instruments identified in the report were anticipatory while the remaining third was reactive.¹² Despite the fact that, as the report notes, in most Member States there is no systematic approach to public support during the restructuring process, a range of measures are in place across all the Member States. These include¹³:

- **Economic and labour market forecasting measures.** For example, in Romania local employment agencies conduct studies concerning employment opportunities.
- **Monitoring observatories, anticipating and warning systems.** In Luxembourg, economic cycle committees can be set up by the government to monitor redundancies in companies with more than 15 employees and in order to encourage social partners to negotiate a plan for maintaining employment in such companies. In Finland, a well-developed early warning system of anticipation and forecasting activities predicts labour market trends and enables social partners to put appropriate measures into place to help mitigate any negative effects of restructuring.
- **Continuous vocational training provided by employment agencies.** In Portugal the Employment and Vocational Training Institute runs programmes to stimulate job offers.
- **Supporting individual transition,** such as bipartite sectoral training and development funds in the Netherlands.
- **Publicly funded or subsidised short-time working, partial unemployment and temporary lay-off schemes,** such as those used in Austria, France, the Netherlands, Belgium, Germany, Italy and Luxembourg, and since the recession

¹² ERM Report. 2011. Public instruments to support restructuring in Europe

¹³ Based on Eurofound and EMCC information :

<https://eurofound.europa.eu/docs/erm/tn0907020s/tn0907020s.pdf>,

<https://eurofound.europa.eu/emcc/erm/comparativeinformation.htm>

also in Hungary, Latvia, Malta, Poland, Portugal, Romania, Slovakia and Slovenia, These are often linked with an obligation on companies to provide short-time workers with training during times of low business activity (e.g. in the Netherlands).

- **Providing advice and support to workers**, largely through public employment services or through tripartite social agreements (e.g the British 'Train to Gain' programme), as well as contribution to training costs.
- **Advice to companies on how to organise in-house training.**
- **Supporting economically weak regions through provision of industrial sites, subsidies, tax reliefs and other investment incentives**, often on the basis of long-term development plans (e.g. in Belgium, Czech Republic, Estonia, Poland, Slovakia, Spain).
- **Regional re-employment schemes**, which are widespread in Austria and Ireland (in the latter country, efforts are made to replace jobs lost in traditional industries with new jobs in retail and high technology areas).
- **Tripartite 'taskforces'** that aim to minimize their adverse effects upon local labour markets, such as those established in the United Kingdom.

Given this range of existing public support measures, any new measures resulting from the introduction of the Directive would be adding to and complementing these measures.

3.3. Baseline impacts

Whereas the section above outlined the current practices in individual Member States, this section summarises the evidence concerning the impacts of existing baseline situation within the restructuring context. As outlined in the intervention logic, the key impacts under investigation include:

- impact on number redundancies (impact on job security);
- impact on workers finding future employment (impact on employability);
- impact on workers within their current employment (impact on job quality); and
- other impacts, such as impact on the number of disputes.

As the 2012 European Commission Green Paper on Restructuring notes, European companies take a number of steps to reduce the impact of restructuring. These include measures to anticipate employment needs and to develop workers' skills, as well as cooperation with key stakeholders, including worker representatives. At the same time, the Green Paper points out that such steps are still often "reactive" rather than "proactive" and happen too late to be effective in reducing the impact of restructuring¹⁴.

There are a number of instances of restructuring where deficiencies with respect to consultation of workers and other stakeholders were noted. These include, for example:

¹⁴European Commission (2012). Green Paper Restructuring and anticipation of change: what lessons from recent experience?

- The case of restructuring within Air Malta, where union representatives have criticised a very selective approach to consultation, seen by the unions as leading to a sub-optimal sale of the company and its assets¹⁵.
- The case of restructuring in the power generation company ABB Alstom, where lack of effective consultation of the workforce was one of the reasons behind large scale worker protest against the restructuring in 2002¹⁶.
- The case of the Volkswagen plant in Belgium, where an unexpected announcement of significant job losses resulted in a seven week strike, which could potentially have been avoided through earlier consultation and information efforts¹⁷.

In the examples presented above, improved consultation practice could help avoid labour disputes, improve the relationship between workers and their representatives and management, and potentially impact on the terms of restructuring. However, it is more difficult to determine to what extent ineffective and consultation practices result in higher level of job reductions than would be the case otherwise.

The next section presents cases where early consultation is thought to lead to reduction in the number of redundancies from a planned level, however in the cases where such consultation did not take place, it is not necessarily clear whether any redundancies could be avoided at all. For example, in the case of XL Leisure Group, no information and consultation took place when the company has reduced almost its entire workforce during a bankruptcy process. On one hand, given the financial difficulties of the company, it is unlikely that any redundancies could be avoided even with a consultation process in place. On the other, the financial situation was apparent for approximately a year prior to bankruptcy in September 2008, suggesting that consultation at an early point in that period could have an impact on the process, potentially safeguarding at least some jobs or helping workforce find future employment¹⁸.

With regard to training, there are also few clear cases where lack of training can be shown to be a reason why workers are unable to find future employment. Although one would expect that, all things being equal, training would aid worker's employability, there are only a few studies making that link clear. For instance, a 2007 Eurofound report on training and employability finds, for instance, that workers on temporary contracts receiving training perceive their employability as better than those not receiving training¹⁹. For other combinations of measures and impacts, such as impact of public financing and monitoring on job security or employability, or impact of consultation on employability, there is little evidence showing that lack of these measures would have a clear detrimental effect.

¹⁵<http://www.eurofound.europa.eu/eiro/2012/08/articles/mt1208019i.htm>

¹⁶<http://www.eurofound.europa.eu/eiro/2000/05/inbrief/eu0005247n.htm>

¹⁷<http://www.eurofound.europa.eu/eiro/2007/01/articles/be0701049i.htm>

¹⁸Eurofound (2009). ERM Report 2009: Restructuring in Recession

¹⁹Eurofound (2007). Impact of training on people's employability

As this section shows, the key challenge when considering the measures outlined in the draft report is the **lack of an effective “counterfactual”** (a likely outcome if a given measure had not been introduced). Although one can show that, for example, lack of consultation can be one cause of industrial disputes or even job losses, it is difficult to isolate that impact, since most evidence stems from unique cases. At the same time, there appears to be little doubt as regards the *nature* of the impact of the measures outlined in the draft report will have positive impact on the areas investigated in the study which will be positive. The lack of “counterfactual” therefore only means that there is bound to be uncertainty regarding the *magnitude* of that impact. This will be taken into account in the following sections.

4. Impact Analysis

This section aims to provide an assessment of the potential impact of the measures outlined in the draft report. It first outlines the evidence concerning impacts *at company level* associated with measures corresponding to the recommendations investigated as part of this study, combines them with information concerning costs, and presents a simple cost-effectiveness analysis. The impact evidence is then combined with information concerning the baseline situation (presented in the previous sections) and information concerning compliance, to provide an assessment of the aggregate impact *at country level*.

4.1. Evidence concerning impacts

The first step in the impact analysis is to collect the existing evidence concerning the impact of measures corresponding to the main recommendations of the draft report (Recommendations 5, 7, 11, and 12). As noted in the previous section, the main impacts investigated include:

- impact on the number of redundancies (impact on job security);
- impact on the prospect of workers finding future employment (impact on employability);
- impact on workers within their current employment (impact on job quality).

The previous section outlined some of the existing evidence concerning the link between consultation and industrial disputes and, given that it is unlikely that there will be data concerning the link between consultation and *lack* of industrial disputes, these impacts are not investigated in this section.

Since there are no studies systematically investigating these impacts for the above measures on EU or Member State level, the main source of data will be evidence from individual case studies and good practice examples. Using such evidence has its advantages in that it provides real-life examples of the impacts generated. However, reliance on case-studies also has its downsides:

- individual case studies tend to focus on single companies and their experience often cannot be generalised for the entire sector, much less for a single Member State or the EU as a whole; and
- as mentioned above, case studies rarely provide an indication of the “counterfactual”, which makes it difficult to arrive at an assessment of the magnitude of the impacts.

In order to address these shortcomings, in the following sections we:

- synthesise findings from multiple case studies to arrive at ranges of impacts, rather than point estimates based on single case studies;
- treat evidence extracted from case studies as “best practices” and take into account the implication of the effect sizes being smaller.

Finally, individual case studies often concern very different measures. However, since the recommendations in the proposed Directive are broad, the evidence has been grouped so as to ensure that different cases broadly correspond to one of the recommendations in the draft report. The table below presents the nature of the evidence outlined in the following sections:

Table 5 - Data availability

Impact on: Measures:	Job security	Employability	Job quality	Other (i.e. disputes)
Training, anticipation & skills development	Qualitative	Quantitative	Qualitative	Qualitative
Information and consultation	Quantitative	Quantitative	Qualitative	Qualitative
Public support & monitoring Financial support	Qualitative	Qualitative	Qualitative	Qualitative

The following sections outline the existing evidence for each of the recommendations.

4.1.1. Early consultation

Impact on job security (Quantitative Evidence)

Data from the European Industrial Relations Observatory²⁰, Eurofound’s monitoring instrument on industrial relations, suggests that in many of the cases recorded by the ERM, a cooperative approach shared by employers and unions has allowed companies to adapt productively to economic challenges while minimising the detrimental impact on workers. The following table summarises information from individual case studies where information on the initial number of planned dismissals and on the number of employees actually dismissed is available. It shows how consultation with employee representatives in large-scale restructuring processes can considerably reduce the number of employees laid off – with many of these cases being from the period of the economic downturn of 2009:

²⁰Eurofound. 2010. Industrial relations and restructuring: some recent cases.

Table 6 – Impact of consultation on job security²¹

Measure	Planned dismissals	Actual dismissals
Volvo Car Corporation/Sweden Negotiations with management ²²	6,000	4,616
Opel/Spain Agreement with work council	900	Turned into temporary dismissals
Nissan/Spain Trade union campaign and concerted local government action	1,680	700
PZU/Poland Negotiation	1,500	600
Karmann/Germany Negotiation	513	300
Inbev/Belgium Restructuring talks, agreement to renegotiate employment terms instead	300	No dismissals – instead renegotiation of employment terms
SIA Triāls/Latvia²³ Early consultation	90	30
Wiltz/Luxembourg²⁴ Early consultation/collective agreement	45	0
Hirschmann Automotive/Austria²⁵ Negotiated social plan	155	115-125
Northern Rock/UK²⁶ Early consultation/taskforce	2,000-2,500	1,300
Total	13,183-13,683	7,661-7,671 (43% reduction)

It is important to note that in some restructuring cases, the planned number of dismissals may not necessarily be the expected number, but rather the number used by employers in the negotiations for strategic reasons. However, for the purpose of this study, the assumption will be that on aggregate, these were in fact the planned numbers of

²¹ Unless stated otherwise: Eurofound. 2010. Industrial relations and restructuring: some recent cases. For a more detailed description of cases, refer to Annex 3, Table 15.

²² CEDEFOP. 2010. Socially responsible restructuring.
http://www.cedefop.europa.eu/EN/Files/6107_en.pdf

²³ Voss, Eckhard. Willke, Maack and Partner. Organising Transition in Response to Restructuring. Study on instruments and schemes of job and professional transition and re-conversion at national, sectoral or regional level in the EU.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

reductions. Furthermore, other factors such as training or public support probably contributed to a positive outcome as well, but various forms of consultation appear to have had the biggest impact on those cases.

If the findings of this table are aggregated, between 13,183 and 13,683 dismissals were planned compared to between 7,661 and 7,671 actual dismissals. This corresponds to an average **reduction in redundancies of 43%**.

Impact on employability (Quantitative Evidence)

In selected cases, consultation during restructuring was linked to the likelihood of workers made redundant finding new employment. The following table outlines the quantitative evidence concerning the impact of consultation on worker employability.

Table 7 - Impact of consultation on employability²⁷

Company/Country	Impact and Evidence
Volvo Car Corporation/Sweden²⁸ Job Security Council engagement	50% of dismissed workers found new job within 9 months
Danisco Sugar Kedainiai (DSK), Lithuania Advance warning, early consultation	About 60% of the dismissed employees have found new employment
DaimlerChrysler, Netherlands Consultations for 14 months	800 out of 950 (84%) dismissed employees found new employment within a year
UPM, Finland Consultations	454 ex-employees (68% of dismissals) found employment solution within 10 months
Average share of employees who found new work within a year	66%

The above case studies suggest that in cases where an early consultation process was in place, on **average 66%** of dismissed workers found new employment within approximately a year. In addition, evidence from a case in Estonia suggests that the probability of finding employment was 10%-20% higher for workers benefiting from consultation.

Impact on job quality (Qualitative Evidence)

As a report on restructuring and well-being notes²⁹, there is evidence of a link between perceived job security and job quality. In this sense, any impact that early consultation has on increased job security it will naturally also have on job quality. In some cases, extensive consultations can minimise the negative social impacts of organisational changes on dismissed employees, such as in the case of the privatisation of the Slovakian

²⁷ Eurofound. 2008. ERM case studies: Good practice in company restructuring.

²⁸ Unless stated otherwise: European Commission. 2008. EU Synthesis Report. 27 National Seminars Anticipating & Managing Restructuring. p. 57. For more detailed information, refer to Annex 3, Table 15.

²⁹ Wiezer et al. 2011. Exploring the link between restructuring and employee well-being. p. 50f. <http://www.psyres.pl/21963.html>

Railways.³⁰ Overall, however, as in the case of training and skills development, case studies provide limited information with regard to the impact on job quality.

Other research in the area, however, shows that good communication and a trusting relationship between management and employees and support from management reduce the effects of restructuring on the well-being of workers. When employees are involved in the process of restructuring and participate in the decision-making, their well-being is better than otherwise. In sum, two-way communication, participation and support are the three main factors of a healthy restructuring process.³¹ This in turn suggests that ensuring effective early consultation in enterprises could have a positive effect on workers' job quality.

4.1.2. Training and skills development

Impact on job security (Qualitative Evidence)

The case studies provided no clear evidence concerning impact of training measures on job security. This is not unexpected in the sense that training is likely to improve worker's chances of finding future employment rather than avoid redundancy. At the same time, anticipation of skills needs and longer-term planning of training and skills development could ensure that in some cases of restructuring at least a fraction of redundancies are avoided, although this is not reflected in the evidence extracted from case studies. Nevertheless, a report on anticipation and managing restructuring seminars emphasises the importance of training for both employability *and* job security, noting that "training, skilling and re-skilling are seen as key to anticipating or accompanying restructuring, in order to avoid unemployment or to facilitate a rapid return to the labour market."³² An OECD study found that in countries such as Austria, Belgium, Finland or Ireland, the share of trained workers who are re-employed two years after the separation is 20 % higher than the share of untrained workers, while in Denmark, France, Greece, the Netherlands and Portugal, the difference between the two groups is negligible.³³

To sum up, given lack of robust data in the area, there remains uncertainty around the strength of the effect.

Impact on employability (Quantitative Evidence)

When advance notification of redundancies is accompanied by job-search assistance and training, it is seen as particularly helpful in redeploying workers.³⁴ A study by the ILO also notes that the success of redeployment depends on how many workers benefitted

³⁰ See Table 13 - Company-level analysis - impact of early consultation on employability

³¹Wiezer et al. 2011.Exploring the link between restructuring and employee well-being.p. 9.<http://www.psyres.pl/21963.html>

³²European Commission.2008. EU Synthesis Report. 27 National Seminars Anticipating & Managing Restructuring

³³OECD. 2004. Improving Skills for More and Better Jobs : Does Training Make a Difference ? p. 207

³⁴GHK. 2010. Preparatory study for an impact assessment of a European Code of Conduct on Restructuring. Final Report. p. 22

from training and career guidance in the transition process.³⁵ A study which surveyed both employers and employees in 40 companies EU-wide found that 82% of them considered training or re-training to be essential to increase workers' employability.³⁶ At the same time, the evidence from case studies suggests more limited impact.

Table 8 - Impact of training on employability³⁷

Company/Country	Impact and Evidence
Job Security Councils in Sweden Permanent works councils offering training and advice to workers already being made redundant.	2/3 of people assisted by a Job Security Council found new work at the same or a higher salary. 90% of clients have an overall positive impression. ¾ of managers find them useful in restructuring processes
Occupational Transition Contracts, France Redeployment scheme providing training	61% of participants found a new job/started their own business within 12 months
Reconversion cell at Ford, Belgium Helped workers find new positions through training and other assistance.	After two years, over 80% of registered workers - a total of 1,215 - had found alternative employment , become self-employed, taken early retirement or had entered long-term training.
Better West Midlands project, United Kingdom³⁸ Training and re-training measures, support, mentoring and advice.	The project claims to have achieved over 90% of returns to work before the current recession, but success rates are likely to decrease during the economic downturn.
Average share of employees who found new work within two years	72%

It might appear surprising that the effect of training on employability identified here is only slightly higher than the effect of early consultation on employability. This again relates to the difficulty to isolate the impact of individual measures and might also be the result of the particular company cases this analysis is based on.

In addition to the above findings, existing survey data also points to a link between training and increased employability. In a survey analysed by Eurofound, mentioned in the previous section, non-permanent workers shared their perception that participation

³⁵Gazier, 2005, 'Using Active and Passive Employment Policies to Accompany Globalisation-Related Restructuring', Offshoring and the internationalisation of employment - A challenge for a fair globalization? International Labour Organization 2005.

³⁶GHK. 2010. Preparatory study for an impact assessment of a European Code of Conduct on Restructuring, Final Report.p. 70.

³⁷ Unless stated otherwise: Voss et al. Organising Transition in Response to Restructuring. For more detailed information refer to Annex 3, Table 16.

³⁸CEDEFOP. 2010. Socially responsible restructuring.
http://www.cedefop.europa.eu/EN/Files/6107_en.pdf

in training is positively correlated with their employability. While these numbers do not relate solely to training carried out during restructuring, they give an indication of the potential benefits of training on employability. The report summarises findings from national reports from all Member States. A French report states that “training schemes of an extended duration clearly improve the temporary worker’s opportunities to get a stable job. After a period of individual training leave, 32.2% of temporary workers find a permanent job.”³⁹ Similarly, a survey amongst Finnish temporary workers revealed that 45% of those having received training perceive their chances of securing a permanent job as likely while only 34% of those not having received training think so. The same numbers for permanent workers were 32% for those having received training and 27% for those not having received training.⁴⁰ In another survey, 82.1% of Spanish workers on a fixed-term contract and 83.5% of workers on a permanent contract reported they regard training as quite useful or very useful. In a similar survey, 64.6% of German workers on a fixed-term contract and 65.5% of workers on a permanent contract regarded training as either useful for the most part or completely useful.⁴¹

Impact on job quality (Qualitative Evidence)

Evidence from case studies shows that programmes which offer employees training and skills development can have a positive impact on their morale, as in the case of Skillnets in Ireland⁴², although besides this particular example, there is limited evidence of impact present in the case studies investigated. This could however be due to the fact that the focus of the existing research and in particular the case studies and good practice examples is primarily on job security and employability.

In addition the above example, a study conducted by the University of Bremen also identifies coaching, counselling and training as one set of practices which are essential to minimising the adverse effects of restructuring on the health of employees.⁴³ Nevertheless, there appears to be generally little evidence linking training and job quality.

4.1.3. Impact of public support

As shown in the previous sections. short-time working arrangements, temporary lay-offs and partial unemployment schemes are well-established in many Member States and have had a significant and positive impact on employment during economic down-turns

³⁹<http://www.eurofound.europa.eu/ewco/reports/TN0506TR01/TN0506TR01.pdf> p. 51

⁴⁰<http://www.eurofound.europa.eu/ewco/reports/TN0506TR01/TN0506TR01.pdf> p. 36

⁴¹<http://www.eurofound.europa.eu/ewco/reports/TN0506TR01/TN0506TR01.pdf> p. 26

⁴² See Table 15 – Impact of early Consultation

⁴³University of Bremen. 2009. Health in Restructuring Innovative Approaches and Policy Recommendations (HIRES). p. 14 http://www.ipg.uni-bremen.de/research/hires/HIRES_FR_090518_english.pdf

such as the recession of 2009.⁴⁴ In addition to these, Member State authorities have tried different measures to help workers facing restructuring:⁴⁵

- In Austria, temporary suspension of employment is combined with reemployment commitments. During the time of unemployment, workers can receive benefits. The scheme is regarded as cost efficient at company level.
- In Bulgaria, the programme ‘New Employment Prospects’ provides redundant people with guidance, consultancy, professional orientation, re-qualification. This helps workers by avoiding long spells of unemployment and loss of skills and enables them to gain new qualifications.
- In Denmark, job rotation schemes allow companies to re-organise its workers and thereby perform a smooth internal transition of its employees, instead of being forced to fire workers. However, there is a low take-up amongst employers so far due to the cumbersome nature of the process.

Concrete cases with quantifiable impact of public support measures on employability are outlined below.

Table 9 – Impact of public support on employability⁴⁶

Measures	Impact and Evidence
<p>Rapid Response Services, United Kingdom Provided by Jobcentres to assist redundant workers with job advice, training, referrals to employment agencies</p>	<p>Over 60% of individuals whose destinations are known moved into employment after having used the Services which were directly responsible for ‘placing’ ca. 30% of those who found jobs.</p>
<p>Reconversion cells, Belgium Assist victims of restructuring with psychological support, advice on redeployment, as well as social and administrative affairs.</p>	<p>More than 50% of beneficiaries are in employment again, with a high percentage of open-end contracts. The social partners perceive it to be a very effective tool.</p>
<p>Response service to collective redundancies, Estonia Provides workers facing redundancy with tailor-made services such as mediation between workers and potential future employees with the aim of avoiding unemployment or reducing the duration of unemployment.</p>	<p>Job prospects of redundant workers have improved as a result of this scheme by between 10 and 20%.</p>

⁴⁴ See, for example, European Commission. 2010. Short time working arrangements as response to cyclical fluctuations. Occasional Paper 64 / June 2010.

⁴⁵ Cases taken from Eurofound’s Support Instrument Database:
<http://www.eurofound.europa.eu/emcc/erm/supportinstruments/>

⁴⁶ If not indicated otherwise, cases taken from Eurofound’s Support Instrument Database:
<http://www.eurofound.europa.eu/emcc/erm/supportinstruments/>

<p>Pre-redundancy counselling services, Romania Services available to workers facing redundancy informing them about local job vacancies, briefing them on how to look for a job, identifying available vocational readjustment opportunities in the same company and providing short-term training courses.</p>	<p>From 1 January to 30 September 2010, 53,235 people gained employment via the information and counselling services provided by local employment services.</p>
<p>ReAct, United Kingdom Welsh programme that covers training, subsidies recruitment and job-related training of workers facing redundancy or recently being made redundant.</p>	<p>6 months after benefitting from the programme, 81 % have found employment.</p>

In addition to these measures, public support also includes public monitoring. However, there is little evidence that the establishment of monitoring bodies in itself has a direct impact on job security, employability and job quality.

4.2. Costs associated with the Directive

In addition to evidence concerning impacts, it is also important to investigate the costs of the measures explored above for individual companies. The preparatory study for an impact assessment of a European Code of Conduct on Restructuring provides evidence concerning costs associated with consultation and training in restructuring processes. These are outlined in the tables below.

Table 10 - Costs of consultation procedures

Cost item	Costs per employee
Meetings with employee representatives (at all levels)	€7-€400 ⁴⁷
(Internal) Meetings management/HR	€48-€769 ⁴⁸
Meetings with external stakeholders	€1-€80 ⁴⁹
Total cost	€56-€1249

Source: GHK (2010). Preparatory study for an impact assessment of a European Code of Conduct

⁴⁷ Evidence from DK, FI, NL, RO

⁴⁸ Evidence from SE, FI, NL

⁴⁹ Evidence from DK, FI, RO

Table 11 - Costs of training

Cost item	Costs per employee
Cost of retraining	€400 - €9,000 ⁵⁰
HR administrative costs ⁵¹	€35.3 - €580 ⁵²
Total cost	€435.5 - €9,580

Source: GHK (2010). Preparatory study for an impact assessment of a European Code of Conduct

The large ranges in costs can be attributed to the fact that the information collected as part of the GHK study came from a small number of different companies in a range of countries, which in turn results in substantial discrepancies in costs. Although these large ranges stem from the fact that there is little existing data that could be used to yield accurate averages, they can also be used to aid the analysis. Assuming that the high estimates reflect the highest cost levels, any measure that is cost-effective given these estimates is likely to be cost-effective under most conditions. In the next section, we highlight which assumptions must hold for this to be the case.

Another important point to consider with regard to the cost estimates is the meaning of “cost per employee”. The GHK study bases these estimates either on reported costs per employee or lump sum cost divided by number of workers “affected” by restructuring. Given that the number of workers affected can be considerably higher than the number of workers to be dismissed, and the fact that is not clear which group of workers the lump sum estimates refer to, it is difficult to determine what is meant by cost per employee. In the following section presenting company-level analysis, we will make the assumption that all employees in a company are affected by restructuring and therefore the costs apply to all the employees. This also reflects the Draft Report’s emphasis on consultation with all relevant parties and training of all workers (not just the ones due to be dismissed or even at risk of dismissals).

Finally, it is worth noting the difference between fixed and variable costs. Fixed costs in this regard can include renting rooms for consultation and/or training, hiring external consultants or trainers etc. while variable costs can include everything from management time, time spent on consultation and training to the opportunity cost of reduced working hours for those employees engaged in these activities in addition to less quantifiable costs as they derive from a de-motivated and confused workforce. Since the above cost estimates are based on reported costs and lump sum costs it is unlikely that these cost estimates adequately factor in opportunity cost. As far as fixed costs are concerned, the principle of economies of scale implies that cost per employee goes down when the number of workers affected increases. However, the total cost increases with company size, and variable cost rises steadily with company size.

⁵⁰ Evidence from AT, SE, DK, NL, SK. FI and RO estimate was €0, this was not included in analysis.

⁵¹ Includes costs of informing public authorities and costs of designing and administering training

⁵² Evidence from DK, FI, NL, SK

4.3. Company-level analysis

Where quantitative estimates are available for both costs and benefits, it is possible to explore the relationship between the costs and benefits associated with the measures. This section looks at the costs to companies and benefits to the society associated with:

- early consultation measures; and
- training and skills development measures.

Given that quantitative estimates are available only for the impacts on job security and employability, these are also the two impacts which will be investigated here. There are four main groups of parameters that need to be determined in order to arrive at estimates of cost-effectiveness. These include:

- **Characteristics of the hypothetical company:** since total costs increase with company size (while costs per worker may actually decrease due to economies of scale), the company size and number of planned redundancies as well as its share of the total workforce will have an impact on whether measures investigated in this study will be cost effective;
- **Costs of measures:** the data in the previous section has shown that these costs can differ substantially. Focusing on high or low estimates of costs will impact on cost-effectiveness.
- **Effectiveness of measures:** the previous section used case studies to arrive at estimates of effectiveness. These are however used as “best practices” and, with no counterfactual scenario in place, it will be important to examine whether the measures would be cost effective at lower effectiveness levels.
- **The valuation of benefits:** the key benefit under investigation is the reduction of unemployment (or in case of the impact on employability, the reduction of time spent unemployed). The choice of value assigned with saving as a result of reducing unemployment will therefore have an impact on cost-effectiveness. In the case of impact on employability, the average length of unemployment, if compared to the length of finding new employment after early consultation or training, can provide a good indicator for comparison in absence of a ‘real’ counterfactual.

Given the number of potential parameters and assumptions, this analysis will investigate cases based primarily on high and low estimates, which will allow to determine which conditions would need to be met for the measures to be cost effective under these circumstances.

With regard to characteristics of the **hypothetical company**, two hypothetical types of companies will be analysed, namely:

- the smallest company covered by the proposed Directive, namely a company employing 500 workers and planning 100 job reductions;

- a very large company undergoing restructuring. Here we base it on the largest restructuring covered in the ERM (with the exception of Royal Mail in the UK, which can be seen as an outlier), namely Allders in the UK, with 5700 employees.

With regard to **cost of measures**, the analysis will use the figures presented in the previous section. Given the range of costs, a measure could be seen as always cost-effective if the benefits exceed the highest potential cost level. Costs are applied to the entire workforce of the company rather than number of people at risk of redundancy. This reflects the assumption that all workers are affected by restructuring, as well as the spirit of the draft report, which advocates wide-reaching consultation and training (i.e. not only affecting workers to be made redundant). This should be kept in mind when looking at cost effectiveness as cost of measures would be considerably lower if applied only to the workers to be dismissed.

The level of **effectiveness** (i.e. the actual reduction in dismissals or re-employment), will be based on the synthesis of findings presented in the previous section. However, given that it is not possible to isolate the actual impact of the measures, the analysis will investigate how lower levels of effectiveness will affect the conclusions concerning cost-effectiveness of early consultation and training.

Furthermore, it is important to arrive at an estimate of **benefits** from reducing the number of redundancies or assisting workers made redundant re-enter employment. In both cases, the main benefit under consideration will be the avoidance of cost of unemployment. Unemployment carries with it a range of costs, including social costs which are difficult to quantify. For the purpose of the study, the simplest measure of cost of unemployment is used, namely the cost of unemployment insurance (based on average unemployment insurance level across the EU) for an average period of unemployment. It should be noted that **there are other benefits associated with increased job security and employability**, such as higher well-being of workers, increased social stability and higher productivity when workers are quickly redeployed in equally productive or more productive ways than before they faced redundancy. Moreover, it is beneficial for companies to have a low fluctuation of workforce in order to retain their talent and to spend less money on recruiting should they need to expand again in the future. So while using reduction of unemployment benefits as the indicator might underestimate the benefits of measures it is simple and ensures that any measure found to be cost-effective could be cost-effective even if some of the assumptions concerning effectiveness level do not hold.

Finally, it is important to keep in mind that when looking at impact on employability, the assumption is that there are jobs available to workers, although the average length of unemployment figure reflects to some extent current difficulties in finding employment. This also means that in a better economic environment this number would fall, meaning that the likely benefit of any of the measures would decrease. Thus, all the options are more cost effective in more difficult economic times.

The sections below outline the analysis for individual measures.

4.3.1. Company-level analysis: Impact of consultation on job security

The table below outlines this analysis for the impact of consultation on job security in two hypothetical companies with restructuring affecting 100 employees, with company size being the parameter varied in both scenarios.

Table 12 - Company-level analysis - impact of early consultation on job security

	Company 1	Company 2
Company size	500	5,700
Workers affected	100	100
% workers affected	20%	2%
Cost of consultation procedure per employee (low estimate)	€56	€56
Cost of consultation procedure per employee (high estimate)	€1,249	€1,249
Total cost (low estimate)	€28,000	€319,200
Total cost (medium estimate)	€326,250	€3,719,250
Total cost (high estimate)	€624,500	€7,119,300
Effectiveness ⁵³	43%	43%
Avoided redundancies	43	43
Cost per redundancy avoided (low estimate)	€651	€7,423
Cost per redundancy avoided (high estimate)	€14,523	€165,565
Average monthly unemployment insurance benefit ⁵⁴	€1,342	€1,342
Average duration of unemployment (months) ⁵⁵	15.1	15.1
Total cost of unemployment insurance benefits per redundancy	€20,271.67	€20,271.67
Net benefit per redundancy at low cost estimate	€19,621	€12,848
Net benefit per redundancy at medium cost estimate	€12,684	€-66,223
Net benefit per redundancy at high cost estimate	€5,748	€-145,293

According to the model presented in the table above, at the 43% effectiveness level, consultation measures are more cost-effective where the number of redundancies is high in relation to company size, than where the number of redundancies is low compared to company size. Both companies could constitute real-world scenarios – dismissal of 100 workers in a company of 500, could reflect substantial downsizing, while dismissal of the same number of workers in a company of 5,700 employees could reflect the closure or dissolution of a medium-size team or department.

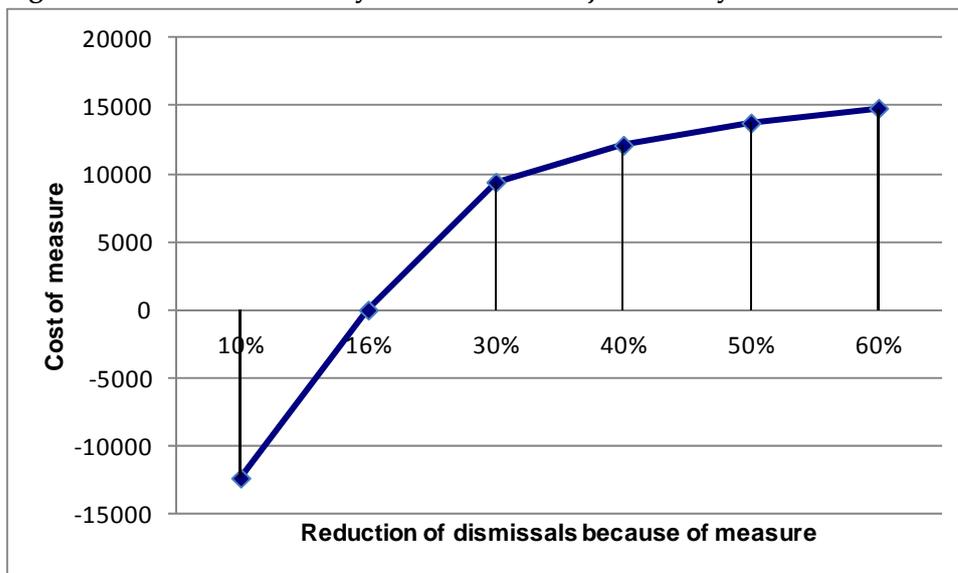
⁵³ Figure taken from case study synthesis in the previous chapter.

⁵⁴ Calculated as a monthly average for 18 Member States for which the OECD dataset reported benefit levels. www.oecd.org/els/social/workincentives

⁵⁵ OECD Data for women and men across all age groups in 2011: http://stats.oecd.org/Index.aspx?DatasetCode=AVD_DUR#

In addition to the above example, where company size is varied with regard to number of dismissals, one can also investigate the effect of changing other parameters. Keeping the proportion of workers to be made redundant constant and varying the effectiveness level shows that where 20% of the workforce is to be made redundant, as is the case for Company 1, the measure would be cost effective even if only 16% of redundancies could be avoided (assuming that the actual costs of consultation lie at the medium of the range lower). Conversely, if effectiveness level was 42%, consultation would be a cost effective measure even if only 15% of the workforce was to be initially dismissed. See below:

Figure 4 - Cost curve for early consultation and job security based on medium cost



Similar graphs can be developed for different cost levels (see Annex 4, Figure 5 - Cost curve for early consultation and job security based on minimum cost and Figure 6 - Cost curve for early consultation and job security based on maximum cost), and the respective breakpoints are presented below:

- Assuming the actual **cost lies at the top of the range**, the measure is only cost effective as long the number of redundancies is reduced by at least **31%**.
- Assuming the actual **cost lies at the lower end of end of the range**, even if early consultation reduces the number of redundancies by only 1% it is still cost-effective

Although the above is a very simple model, it highlights a few key findings:

- ➔ Early consultation appears to be more cost-effective in cases where many workers are affected;
- ➔ Given a high share of the total workforce affected by redundancy, early consultation would still be cost-effective even if the measures turned out to have less of an impact on the number of redundancies as the good example case

studies would suggest. This appears plausible since a higher share of the total workforce affected by redundancy increases the pool of workers that can benefit from any measure.

4.3.2. Company-level analysis: Impact of early consultation on employability

The table below follows the model shown in the above section, showing the impact of the measure when varying the number of employees between two companies. The key difference when looking at employability is the fact that the primary benefit is not in avoiding unemployment, but rather in shortening the period of unemployment, since in most of the case studies workers benefiting from consultation found new employment within a particular time period. The extra parameter that needs to be considered under this model is therefore the length that it takes for these workers to find new employment

Table 13 - Company-level analysis - impact of early consultation on employability

	Company 1	Company 2
Company size	500	5,700
Workers affected	100	100
% workers affected	20%	2%
Cost of consultation procedure per employee (low estimate)	€56	€56
Cost of consultation procedure per employee (high estimate)	€1,249	€1,249
Total cost (low estimate)	€28,000	€319,200
Total cost (high estimate)	€624,500	€7,119,300
Effectiveness ⁵⁶	66%	66%
Avoided redundancies	43	43
Period within which new employment found (months)	12	12
Workers back in work	66	66
Cost per redundancy avoided (low estimate)	€424	€4,836
Cost per redundancy avoided (high estimate)	€9,462	€107,868
Average monthly unemployment insurance benefit	€1,342	€1,342
Average duration of unemployment (months) ⁵⁷	15.1	15.1
Unemployment avoided (months)	3.1	3.1
Total cost of unemployment insurance benefits avoided per redundancy	€4,161.73	€4,161.73
Net benefit per redundancy at low cost estimate	€3,737	€-675
Net benefit per redundancy at high cost estimate	€-5,300	€-103,706

⁵⁶ Figure taken from case study synthesis in the previous chapter

⁵⁷ OECD Data for women and men across all age groups in 2011:
http://stats.oecd.org/Index.aspx?DatasetCode=AVD_DUR#

As can be seen in the table above, when looking at the impact on employability, the cost-effectiveness of early consultation is lower than in the case of job security, which can be attributed to the fact that the average unemployment is only reduced by 3 months from 15 to 12 while in the case of job security savings amount to the full 15 months. Actually, in the above example, the benefits for Company 1 only exceed the costs at the low cost level and even at 100% effectiveness would not make the measure cost effective in Company 1. However, if all workers made redundant were to find new employment within 8 months, the measure would be cost-effective. The key findings are therefore as follows:

- as in the case of impact on job security, the cost-effectiveness of early consultation is positively correlated with a rising share of planned redundancies compared to the total workforce;
- the cost-effectiveness will also increase as the time taken to find new employment decreases;
- unless workers find new employment within a relatively short time, early consultation is likely to be less cost effective in terms of its impact on employability than in terms of its impact on job security.

4.3.3. Company-level analysis: Impact of training and skills development on employability

There is more limited evidence base concerning the impact of training on employability than it is the case for consultation measures. Nevertheless, the model presented in the two subsections above, can still help in determining the potential cost-effectiveness of the measures. The two differences between looking at impact of consultation measures and impact of training and skills development measures on employability are the effectiveness and the cost of the measures. The evidence presented in the previous section suggests that effectiveness could be higher than it was the case for consultation measures, averaging at around 72%. At the same time, the reported costs of training measures are a multiple of the cost of consultation measures. This suggests that:

- due to higher costs, training and skills development measures are likely to be less cost effective than early consultation in improving employability;
- the time taken to find employment would need to be substantially reduced or the scale of restructuring increased for the training measures to be fully-cost effective, assuming 72% effectiveness of the measures.

These findings do not necessarily mean that such measures should not be introduced. The full benefits to reducing unemployment are likely to be higher than ones included in the analysis, while for a number of companies costs could be at the lower end of the scale (as training might be more focussed on those workers actually facing redundancy), potentially making the measure cost-beneficial. In addition, this analysis only looks at

one specific impact. In addition to increasing worker employability, there are other impacts of training (i.e. productivity gains).

4.3.4. Combination of early consultation and training

The final issue to be considered is the potential impact of combination of measures and of combined impact. Looking at consultation, it is possible that such measures could have a positive impact on both job security and employability, leading to a larger overall impact. Nevertheless, the case studies on which the effectiveness estimates are based have provided little indication as to the effectiveness in generating both impacts. Similarly, it seems plausible to assume that a combination of early consultation and training entails synergy effects and has a stronger positive impact than imposing those measures separately. However, there is little evidence in the case studies to analyse the impact of combining consultation measures with training. This in turn means that there is little basis for isolating and modelling the impact of a combination of measures. This would potentially require carrying out a micro level analysis and ask individual workers about their assessment of whether they benefited more from early consultation or from training during restructuring events.

4.4. Country-level analysis

4.4.1. Impact across the Member States

This section looks at the potential impact of the Draft Report at Member State level and combines this information with the effectiveness of early consultation and training as derived from the company case studies. Member States are categorised according to their performance in the fields of training and early consultation as presented in Table 3 and Table 4 - Participation and investment in training in the workplace in the baseline analysis. Those Member States with an already high level of training and skills development in companies are likely to be less affected by the Directive than those where current levels are low. The same goes for early consultation. The potential impact broken down by Member State is presented in the table below:

Table 14 - Impact of proposed Directive on Member States

Member State	Training and skills development	Early consultation
Austria	Medium	Low
Belgium	Low	Low
Bulgaria	High	High
Cyprus	Low	High
Czech Republic	Low	High
Denmark	Medium	Low
Estonia	Low	Medium

Finland	Low	Low ⁵⁸
France	High	Medium
Germany	Medium	Low
Greece	Low	High
Hungary	Medium	High
Ireland	Medium	High
Italy	High	High
Latvia	High	Medium ⁵⁹
Lithuania	Low	High
Luxembourg	Medium	Medium
Malta	Low	High
Netherlands	Low	Low
Poland	Medium	Medium
Portugal	Medium	High
Romania	High	High
Slovakia	Low	Medium
Slovenia	Low	Medium
Spain	Medium	Medium
Sweden	Low	Low
United Kingdom	Medium	Medium

In order to arrive at a more precise estimate of the impact of the recommendations this information has to be linked with the information from the company case studies. First, the categorisation of Member States is combined with the number of planned job reductions in 2011, as reported to the ERM database (see Table 1 - Restructuring cases 2011 to simulate a hypothetical situation in 2011. Since this data includes companies with more than 250 employees, while the proposed Directive is targeted at companies with more than 500 employees, the number of restructuring events actually affected by the Directive will be lower. It nonetheless provides a reasonable estimate. This data is aggregated at EU level and then combined with the effectiveness coefficients derived from the company case studies. This is illustrated below in a **hypothetical scenario** taking the combination of early consultation and impact on job security:

⁵⁸ Finland did not respond to the survey on which this assessment is based for the other countries. Consequently, a Eurofound database was used to come up with an assessment of the quality of early consultation in Finland. According to this, employers must notify the workforce 7 weeks in advance of redundancies and consultations last for six weeks and include discussion on how to avoid job losses. Consequently, Finland is ranked as *High*. Source : https://eurofound.europa.eu/emcc/erm/erm_car/tn0608036s.htm

⁵⁹ Latvia did not respond to the survey on which this assessment is based for the other countries. Consequently, a Eurofound database was used to come up with an assessment of the quality of early consultation in Latvia. According to this, employers in practice rarely consult before they publicly announce redundancies. At the same time, *if* there are consultation, they usually last for at least 60 days and include consideration how to minimise job losses. Latvia is thus ranked as *Medium*. Source : https://eurofound.europa.eu/emcc/erm/erm_car/tn0608036s.htm

For countries where the Draft Report is likely to have a *High* impact, the effectiveness derived from the company case studies (43%) is believed to hold. For example, the Draft Report is expected to have a high impact in Romania so the impact of early consultation on job security in Romania is assumed to be 43%. For a country where the impact is likely to be *Medium*, such as Spain, this number is halved, in other words, early consultation is expected to reduce the number of redundancies by 21.5% in Spain. In countries where the impact of the Draft Report in terms of early consultation is expected to be low, such as Germany, the impact would be negligible (0%). According to this scenario:

- **Distributed over all EU Member States, early consultation would reduce the number of redundancies by 23% compared to an estimated effectiveness of 43% at company level.** Were this to take place in 2011, when there were 464,448 planned reductions, such measure could result in an estimated reduction of approximately 100,000 redundancies.
- **Distributed over all EU Member States, early consultation would help 35% workers made redundant to find new work,** compared to 66% on company-level. In 2011, out of 464,448 redundant workers, over 160,000 would have found new work within a year, if such impact were to materialise.
- **Finally, distributed over all EU Member States, training would help 36% workers made redundant find new work,** compared to the 72% estimate based on the company case studies. Similar to the previous example, this could aid over 165,000 workers find new employment.

As in the case of the company level analysis, the case studies that effectiveness estimates are based on do not reveal much information about the interaction and possible synergy effects of combining early consultation and training. Hence, any further assessment of this combination would be overly speculative. Nevertheless, the above analysis suggests that:

- ➔ Compared to the effectiveness of measures at company level, **their impact at European level is reduced by approximately 50%**, owing to the unequal distribution of current performance as well as planned job reductions (in 2011) across Member States.
- ➔ In many cases, the countries with the highest number of planned job reductions in 2011 were also the countries which performed relatively poorly in terms of existing consultation and training measures, increasing the potential impact of the proposed Directive

4.4.2. Compliance

The previous analysis notwithstanding, another factor potentially influencing the effectiveness of the Draft Report is the **rate of compliance**, which in turn is based on two factors:

- The first one is the degree to which a Directive based on the Draft Report would be transposed in Member States. A Eurofound report⁶⁰ shows that 5 years after the entry into force of the Information and Consultation Directive and 2 years after its implementation deadline 3 countries had not implemented it, while 25 had. It is reasonable to assume that the timeframe would be similar for a Directive based on the Draft Report.
- The second factor concerns the degree to which companies in the various Member States implement it. In this regard, it is worthwhile looking at provisions on enforcement. While the Information and Consultation Directive only asks Member States to implement appropriate enforcement and sanctions measures without going into detail (Art. 8) the Draft Report goes further in specifying the kind of sanctions Member States should implement (as outlined in section 2.3.1). Information on company compliance is available for the Works Council Directive which entered into force in 1996. In the United Kingdom, only an estimated 265 companies fell into the scope of this Directive in 2008. Out of those companies, 43% had actually set up a Works Council by 2008. The EEA average was 36%. However, this does not necessarily imply a high degree of non-compliance as according to the Directive, companies are only obliged to set up such a body at the request of 100 or more of its employees.⁶¹

Given the fact that the Draft Report foresees stronger enforcement mechanisms than previous Directives and bearing in mind that even a non-obligatory provision in a previous Directive resulted in a compliance rate of 36%, it is reasonable to assume that the rate to which companies would comply with a Directive based on the Draft Report would be at least 50%. Using this rate, the impact developed for the various measures above is reduced by another 50% to the following:

- Impact of early consultation on job security, given 50% company compliance: 11% (down from 43% at company level)
- Impact of early consultation on employability, given 50% company compliance: 17% (down from 66% at company level)
- Impact of training on employability, given 50% company compliance: 18% (down from 72% at company level)

⁶⁰ Eurofound. 2002. Impact of the information and consultation directive on industrial relations.

⁶¹ <http://www.bis.gov.uk/assets/biscore/employment-matters/docs/10-889-implementation-european-works-council-directive-impact-assessment>

5. Conclusions

The above sections provide a snapshot of the potential impacts associated with the recommendations in the Draft Report. Given the nature and scope of this study, the research is largely limited to a subset of measures presented in the report and covers only a selection of impacts. In addition, the secondary data used in the study has its limitations, in particular due to the lack of “counterfactual” cases, which could help isolate the magnitude of the impact generated. In a larger-scale study, the counterfactual could be generated by analysing studies which compare similar (or identical) companies who either carried out training/early consultation or did not and look at the respective impact.

The study allows drawing conclusions concerning the potential added value of the measures and their cost effectiveness. The research design developed and the causal relationships identified here can in future be used in combination with new evidence. This would in turn require a larger research programme including primary research to support secondary data collection. In this respect, the establishment of public bodies monitoring company activities and obliging them to report regularly during restructuring events, as foreseen by the proposed Directive, is a welcome step towards improving the evidence base.

Potential aspects of the recommendations in the Draft Report which could not be analysed as part of this study, but which could add valuable insights include:

- Distribution of impacts across Member States, sectors, and worker groups;
- Interaction between national and EU framework;
- Detailed modelling of impact with expected company compliance levels;
- Analysis of conditions under which different levels of company-level impact can be expected based on a more comprehensive dataset of company cases;
- More extensive valuation of benefits, including also impacts on job quality and worker’s well-being and benefits to companies;
- Comprehensive costing of the individual recommendations, including costs to public authorities; and
- Isolation of impact and comparison against counterfactual

Given the limited insight into the impacts of measures proposed in the Draft Report in existing literature, such analysis is likely to enhance the state of knowledge in the field and to support EU policy-making in the area. This report constitutes the first step in this process.

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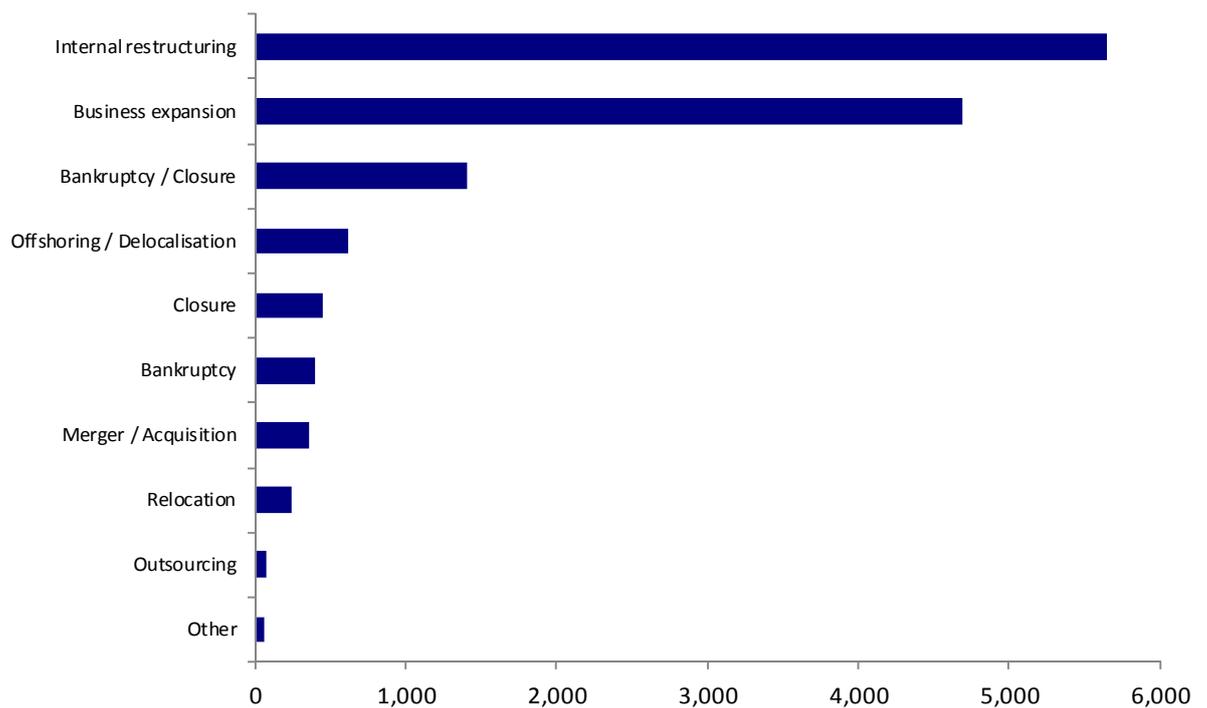
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ANNEX 1: Extent of restructuring in the EU 2001-2012

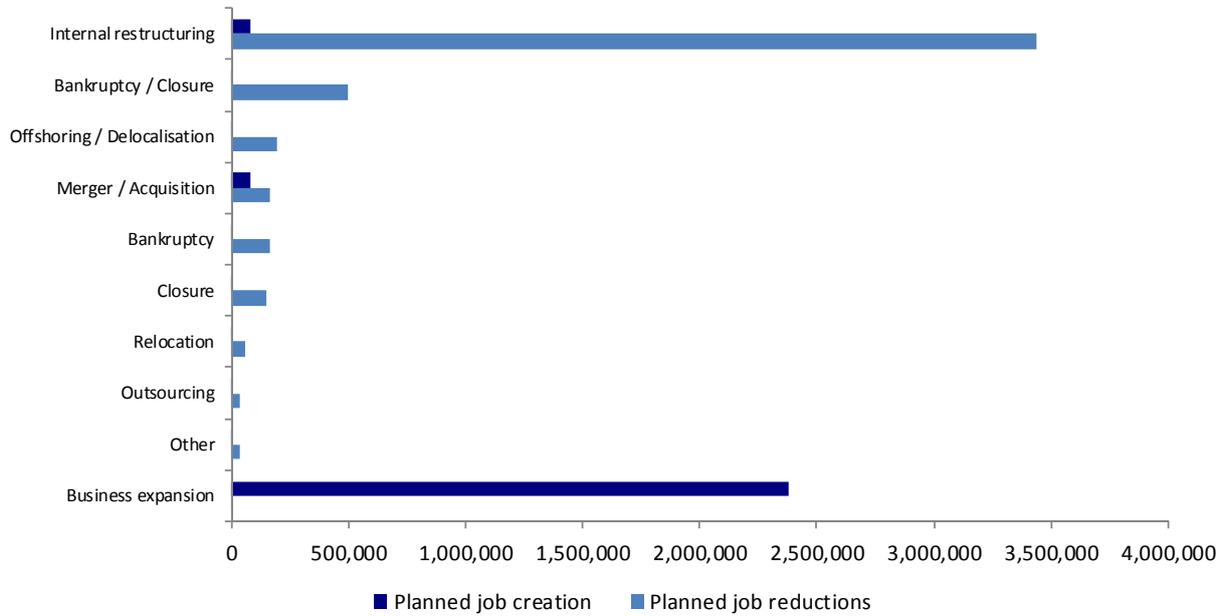
The following figures outline the restructuring levels in the EU in the period 2001-2012.

Figure 5 - Number of cases by type of restructuring 2001-2012



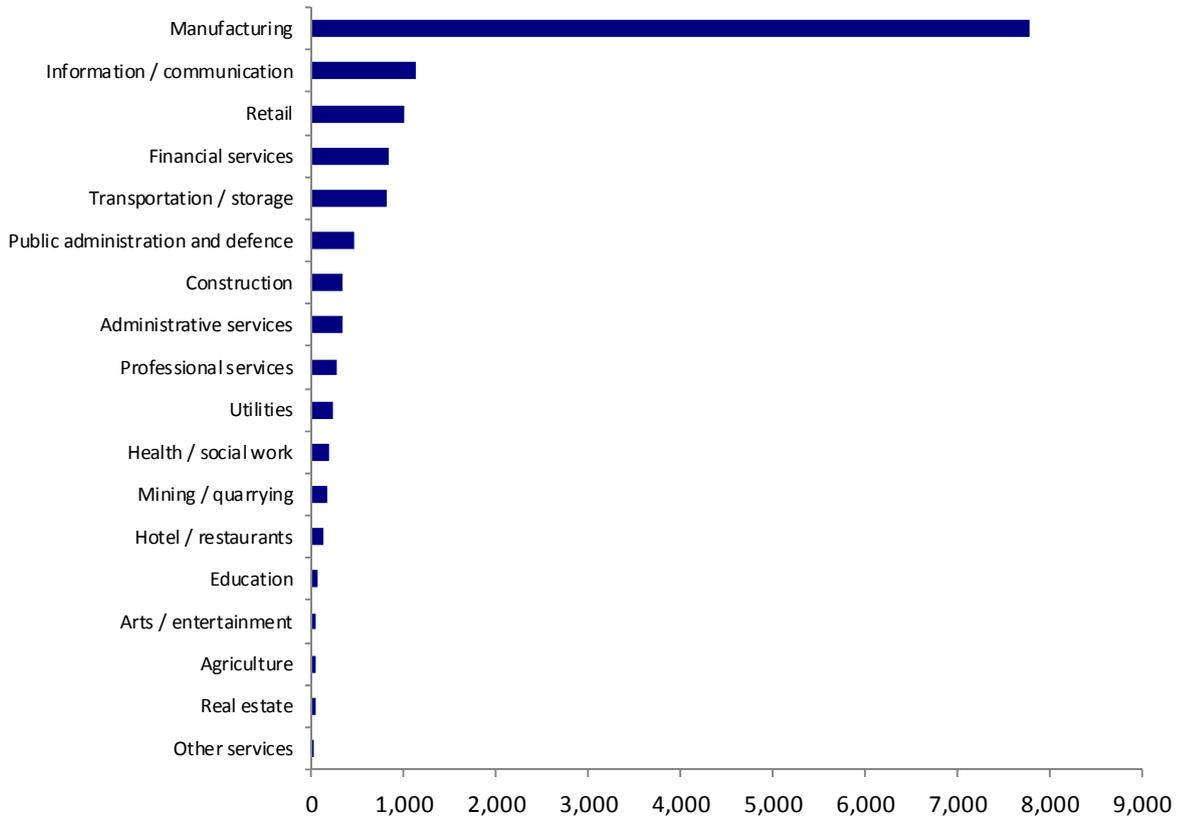
Source: ERM Restructuring events database

Figure 6 - Planned job creation and reduction by type of restructuring 2001-2012



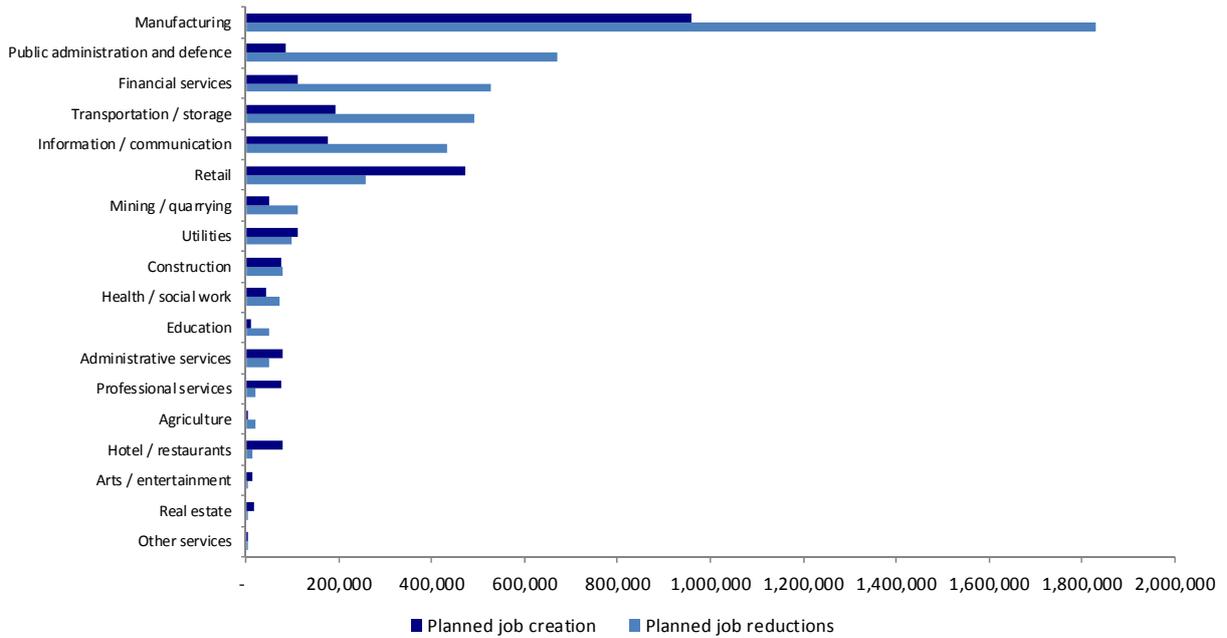
Source: ERM Restructuring events database

Figure 7 - Number of cases by sector 2001-2012



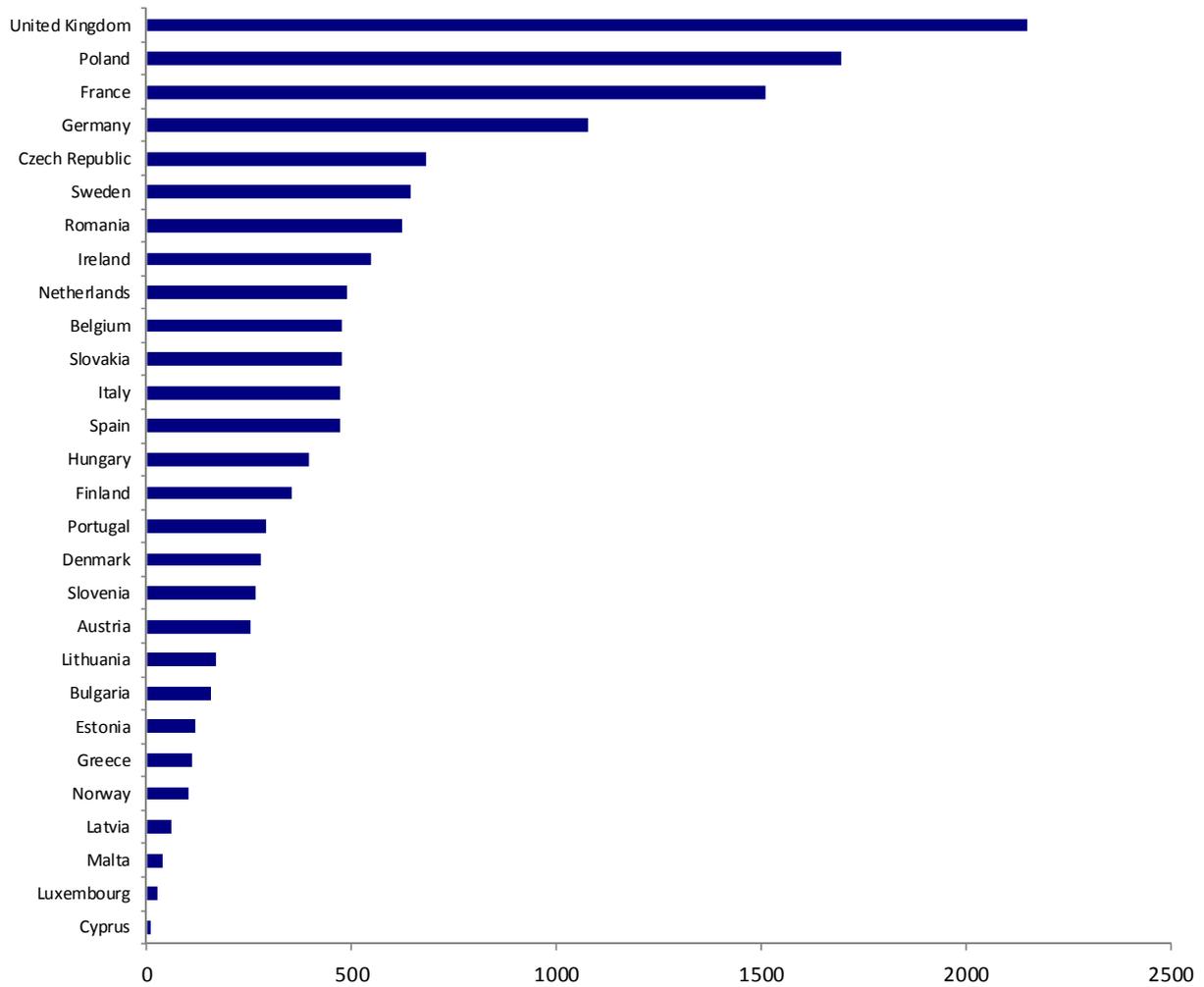
Source: ERM Restructuring events database

Figure 8- Planned job creation and reduction by sector 2001-2012



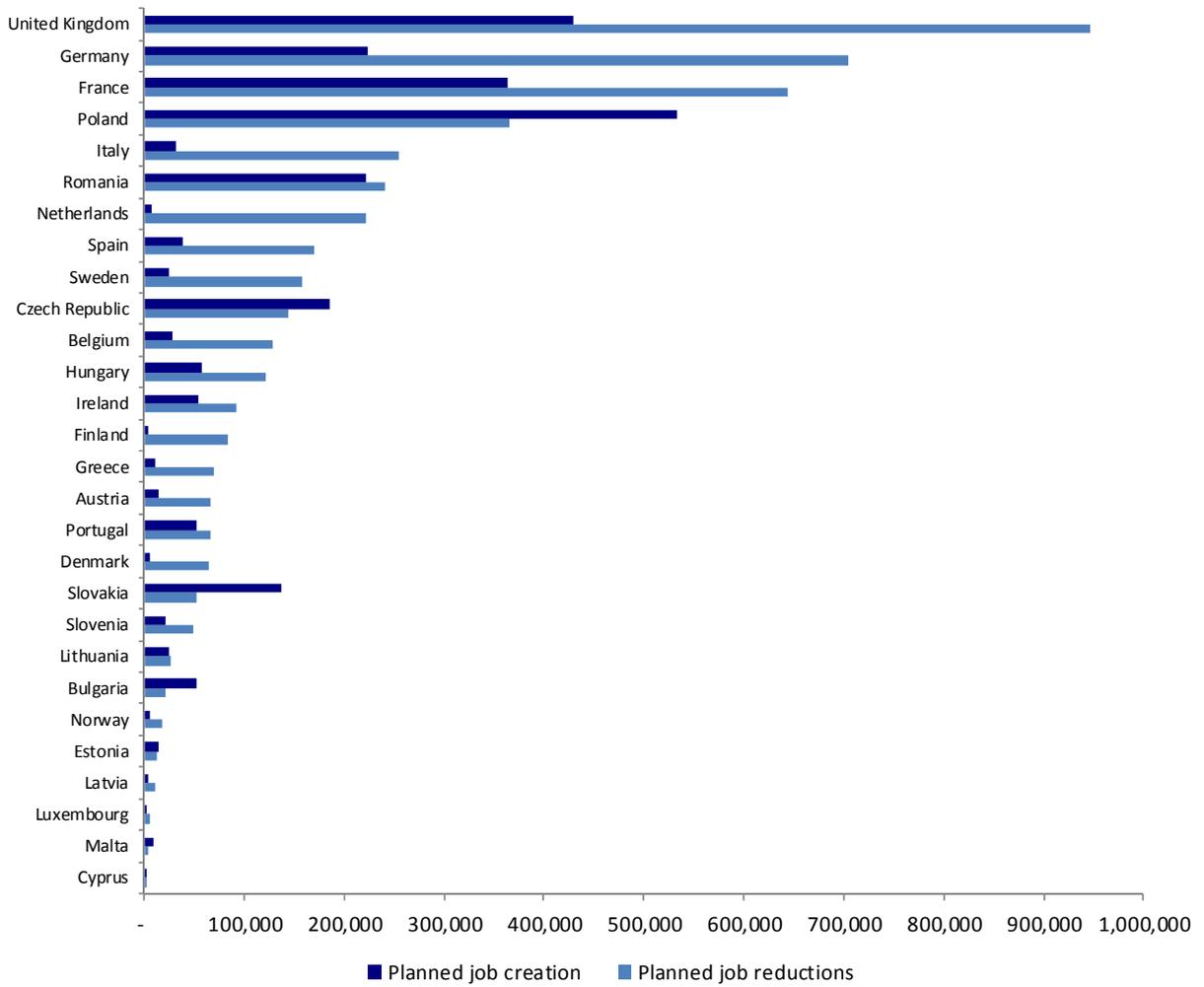
Source: ERM Restructuring events database

Figure 9 - Number of cases by country 2001-2012



Source: ERM Restructuring events database

Figure 10 - Planned job creation and reduction by country 2001-2012



Source: ERM Restructuring events database

ANNEX 2: OVERVIEW OF THE PROPOSED DIRECTIVE

Table 12 – Proposed Directive

<i>Obligations for companies</i>	
<i>Recommendation 4 (Long-term planning & training)</i>	Companies shall recognise the right of every employee to benefit from appropriate training . Employees shall recognise that education and lifelong learning are necessary to enhance their employability and shall accept relevant training offers.
<i>Recommendation 5 (Training, anticipation & skills development)</i>	<p>Companies shall establish, in cooperation with employees' representatives:</p> <ul style="list-style-type: none"> • Mechanisms for long-term planning of quantitative and qualitative employment and skills needs • Multiannual plans of employment and skill development covering the following areas: <ul style="list-style-type: none"> ○ Creation of learning advisors to help employees select adequate training ○ Regular individual skills assessment & individual training maps ○ Individual training plans with quantitative targets ○ Annual training budget ○ Individual learning accounts ○ Training packages ○ Leave of absence for educational purposes ○ Specific training measures to tackle possible developments <p>Every employee shall be offered a given number of hours of training per year.⁶²</p>
<i>Recommendation 7 (Information and consultation)</i>	<p>Any restructuring shall be subject to an early explanation and justification to all relevant stakeholders.</p> <p>Companies shall from the beginning inform the public authorities at the relevant level and involve them in the preparation of the restructuring process.</p>
<i>Recommendation 8 (Alternatives to lay off)</i>	<p>Before considering redundancies, companies shall consider all of the following alternatives:</p> <ul style="list-style-type: none"> • Reduction in work intensification • Working-time reduction or re-organisation • Re-negotiation of working conditions • Internal or external redeployment

⁶²In its proposed Code of Conduct on Restructuring, the Commission includes a requirement for companies to provide employees with at least 45 hours of training per year. (GHK (2010). Preparatory study for an impact assessment of a European Code of Conduct on Restructuring Final Report p. 102)

	<ul style="list-style-type: none"> • In-sourcing of external activities • Negotiated departures • Natural departures
Recommendation 14 <i>(Company monitoring)</i>	<p>Companies shall monitor, on a permanent basis, the psycho-social health of employees affected by restructuring processes.</p> <p>Companies shall create tools for the regular evaluation and reporting on their restructuring practices.</p>
Obligations for public authorities	
Recommendation 11 <i>(Public support & monitoring)</i>	<p>Public authorities shall monitor the mechanisms for long-term planning and multi-annual plans of employment and skills needs to be developed within companies</p> <p>In regions affected by structural change, public authorities shall:</p> <ul style="list-style-type: none"> • Create permanent bodies, networks or observatories for monitoring purposes • Promote territorial employment pacts • Promote or create mechanisms facilitating employment transitions • Implement training actions benefiting SMEs • Favour regional employment and economic and social re-conversion
Recommendation 12 <i>(Financial support)</i>	<p>Public authorities shall co-finance employability measures that favour employees of companies undergoing restructuring, insofar as this support is necessary or appropriate.</p>
Recommendation 13 <i>(Public responsibility)</i>	<p>MS shall designate the responsible public authorities, at national, regional or local level.</p>
Recommendation 16 <i>(Enforcement & penalties)</i>	<p>MS shall provide for appropriate measures in the event of failure to comply with the Directive; in particular, they shall ensure that adequate administrative or judicial procedures are available to enable the obligations deriving from the Directive to be enforced.</p> <p>MS shall provide that non-compliant companies shall not benefit from any funding in provenance of EU budget in the five-year period following a judicial decision recognising the breach.</p> <p>MS shall exclude the same companies from the benefit of public aids from the national budgets during the same period.</p> <p>Nothing shall preclude the use of funds from the general budget of the EU and from national budgets for the direct benefit for the employees of non-compliant companies.</p>

ANNEX 3: EVIDENCE CONCERNING IMPACT OF INDIVIDUAL MEASURES

Table 15 – Impact of early Consultation⁶³

Measure	Type of Impact	Evidence
<p>Reacting to Mass Redundancies programme, Estonia⁶⁴ Social partners and labour market institutions provided workers with information and mediation service with potential employers.</p>	Positive impact on: - employability	Assisted workers had an approximately 10% - 20% higher probability of finding employment and lower probability of claiming unemployment insurance benefits directly after the dismissal than those who did not.
<p>Gruppo Cordenons, Belgium In Belgium, a collective agreement is in place that states that any collective redundancies in companies with more than 20 employees must be discussed with a works council before those redundancies can take place. Plan to dismiss 190 workers by the end of 2008. Discussions opened in August 2008 between the employees' delegation and the management with the aim of informing employees, searching for other solutions, and negotiating social plans. In September, the company agreed to look for a buyer for the plant which they eventually found in December of that year.</p>	Impact uncertain on: - employability	The buyer decided not to create redundancies and instead created a reconversion cell in which workers received public financial support in finding a new job.
<p>CEZ, Advance warning, Bulgaria According to the Labour Code in Bulgaria, employers must inform worker representatives and trade unions at least 45 days before any organisational changes take place and must inform the appropriate governmental institutions (e.g. employment agencies) within three days of the trade unions being informed, and at least 30 days before any redundancies take place. In 2006, the previously privatised company CEZ planned</p>	Positive impact on: - employability	Information taken from the company suggests that the majority of redundant employees found jobs elsewhere, and that those who did not were mainly older people close to retirement age.

⁶³ Unless stated otherwise: Eurofound. 2008. ERM case studies: Good practice in company restructuring.

⁶⁴ Voss, Eckhard. Willke, Macck and Partner. Organising Transition in Response to Restructuring. Study on instruments and schemes of job and professional transition and re-conversion at national, sectoral or regional level in the EU.

<p>redundancies. In a first step, the company tried to internally move workers, providing them with training for new positions where necessary. In the case of redundancies related to outsourcing, all redundant workers were invited to apply for a job with the new supplier. The company acted as a mediator and recruitment agency.</p>		
<p>Advance warning, L.M. Glasfiber, Denmark Redundancies exceeding a certain number over 30 days have to be reported to the appropriate public authorities as well as to the workforce of a company. This is followed by an obligatory period of negotiation between employers and workforce representatives aimed at reducing the number of redundancies. In the case of L.M. Glasfiber, negotiations took place for 2 weeks.</p>	<p>Positive impact on: - job security</p>	<p>As a result of negotiations, 30 jobs were saved.</p>
<p>Advance warning and consultation, Electrolux, Italy Electrolux has got permanent information and consultation procedures in place. In February 2008, the company announced the start of an investigation phase – as is common practise at the firm in the event of restructuring – between management and trade unions with regard to the company’s refrigeration plant over 4 months and involving more than 20 meetings in which a new use for the plant was to be found.</p>	<p>Positive impact on: - job security</p>	<p>The company was able to save 370 out of 430 jobs through selling the plant to another company. For the remaining workers, Electrolux created an outplacement service.</p>
<p>SIA Triāls and Askembla Growth Fund Kommanditbolag, Latvia In May 2008, planned to dismiss 90 employees during July and August of the same year. An advance warning of the proposed redundancies was given, as required by law, and consultations were initiated with employee representatives in good time.</p>	<p>Positive impact on: - job security</p>	<p>By the end of the restructuring process, only 30 employees were dismissed. In the end, only 15 were registering as unemployed.</p>
<p>Danisco Sugar Kedainiai (DSK), Lithuania In November 2007, the board of DSK announced end of production at one factory. A meeting was then held with the chair of the trade union and committee members to discuss the groups of employees affected, the conditions concerning</p>	<p>Positive impact on: - employability</p>	<p>According to the trade union’s representatives, about 60% of the dismissed employees have found new employment, and 20% are unemployed due to ‘objective’ reasons such as retirement.</p>

information, retraining and social assistance as well as financial provisions. The employees were also informed of impending dismissals. The first group of employees was dismissed two months after this first warning.		
<p>Wiltz, Luxembourg</p> <p>In November 2007, company announced a plan to restructure the company in October 2008, reducing the workforce from 230 to 185 employees due to declining demand. About 18 months before the planned restructuring, trade union representatives had signed a collective agreement covering issues relating to the financial and economic situation of the company, listing the measures planned to avoid any job losses.</p>	Positive impact on: - job security	As of 2010, all of the workers affected by restructuring have been retained in employment.
<p>DaimlerChrysler, Netherlands</p> <p>Dutch legislation requires companies to inform the works council at an early stage on restructuring measures and must ask the council for advice on the decision and its effects on employees. If it fails to do so, the public authorities will not grant permission for the dismissal of the workers concerned. In March 2006, the company announced its plan to dismiss 2,650 employees because production was scheduled to stop its plant Nedcar. As mandated by law, the works council, the trade unions and the public authorities were all involved in the consultations that lasted for 14 months.</p>	Positive impact on: - employability	As a result of these early consultations, some 800 out of the 950 employees who had been dismissed in 2006 had already found a new job in 2007.
<p>Hirschmann Automotive, Austria</p> <p>In January 2008, this car supply manufacturer announced a restructuring measure involving a reduction in its workforce from 705 to 550 employees, from May 2008 through to January 2009. The company management and the works council concluded a social plan which benefitted employees from internal occupational training programmes and shifted them to other parts of the company.</p>	Positive impact on: - job security - employability	Social plan saved 30 to 40 jobs Moreover, according to the company's management, many employees had been out-placed to other employers in the region by May 2008, thereby avoiding unemployment.
<p>Vipap Videm Krško, Slovenia</p> <p>In 2006, Vipap announced its plan to make workers redundant.</p>	Positive impact on: - employability	With the help of the local employment office and the Work Fund Posavje 160 jobs were found for dismissed employees in the

Right from the beginning, it involved the public authorities in its restructuring plan. The process of dismissing off employees began in June 2006.		regional economy.
Železnice Slovenskej republiky (Slovakian railways), Slovakia This state company was privatised in 2002 and over the next 5 years, the workforce was reduced from 22,750 to 18,000 employees. In this period, the management entered negotiations with trade unions each time redundancies arose, sometimes three months in advance.	Reduced negative impact on: - social environment No positive impact on: - employability	Measures were successful in reducing the negative social impacts of organisational changes on dismissed employees, but did not contribute significantly to their re-employment in national or regional labour markets. According to the trade unions, this could be blamed on the lack of a comprehensive strategy with respect to the re-employment of dismissed workers.
UPM, Finland In March 2006, decided to lay off 672 of its 25,000 employees, with a further 1,885 employees expected to retire. Consultations with the local employment office lasted until November 2006. While these did not lead to the management reconsidering its plans, it did give the employment offices time to plan re-employment measures.	Positive impact on: - employability - skills development	By December 2006, a total of 454 ex-employees (68% of dismissals) had found some kind of solution , whether it was re-employment, retirement or vocational training.
Northern Rock, UK In March 2008, the British bank Northern Rock announced a restructuring of its business. Consultations were initiated 4 months in advance, in accordance with UK law. Moreover, a taskforce was formed which helped workers find re-employment through job fairs and job portals, and retraining was offered.	Positive impact on: - job security	At the end of July 2008, when the consultation process ended, Northern Rock announced 1,300 job losses, rather than the 2,000-2,500 cuts initially foreseen.
Swedbank, Latvia ⁶⁵ Had to lay off 550 employees since 2008. Extensive consultation including internal shifting of employees where possible. Where function was outsourced to a supplier (phone-banking), the bank ensured that most employees would be able to work for the supplier on similar employment terms.	- job security - employability	About 400 employees were retrained for other functions over 10 months in 2009. Up to 90% of dismissed employees at the end of 2008 have reintegrated to employment. Of those dismissed in 2009, 50% found new employment.

⁶⁵ CEDEFOP. 2010. Socially responsible restructuring. http://www.cedefop.europa.eu/EN/Files/6107_en.pdf

Table 16 – Impact of training⁶⁶

Measure	Type of Impact	Evidence
<p>Skillnets, Ireland Partly state-funded decentralised networks that pool company resources in training and development.</p>	<p>Positive impact on: - job quality</p>	<p>According to surveys:</p> <ul style="list-style-type: none"> • 85% of companies found that their training network delivered lower cost training than alternatives, • 93% would recommend being a member of a training network • 83% of companies stated the programme had a positive impact on employee morale
<p>Vauxhall Luton Partnership, United Kingdom Partnership with the regional development agency, trade unions, and the local council set up in order to minimise the impact of redundancies. Measures which were partly funded by the European Social Fund included re-skilling and training and supported workers into new jobs. The initiative also aimed at minimising the impact of the closure on workers' health.</p>	<p>Neutral impact on: - employability</p>	<p>In 2002, Vauxhall closed a plant resulting in 2,563 job losses. There is little evidence that workers from Vauxhall found alternative employment offering comparable wages and skills utilisation.</p>
<p>Reconversion cell at Ford, Belgium In 2003-2004, Ford carried out a restructuring programme affecting 3,000 workers out of a total workforce of 8,300 in Northern Belgium. The company established a 'reconversion cell' in order to help workers find new positions through training and other assistance. The cell was financed by the company and operated in collaboration with the HR company Ascento and the Flemish Public Employment Service.</p>	<p>Positive impact on: - employability</p>	<p>After two years, over 80% of registered workers – a total of 1,215 – had found alternative employment, become self-employed, taken early retirement or had entered long-term training.</p>
<p>Training and support at L.M. Glasfiber, Denmark Training and job-seeking courses provided to workers who had become redundant.</p>	<p>Low impact on: - employability</p>	<p>Despite the fact that few workers found new employment as there were no employers in the region who could offer them a job, the trade unions regarded the assistance as useful.</p>

⁶⁶ Unless stated otherwise: Voss, Eckhard. Willke, Macck and Partner. Organising Transition in Response to Restructuring. Study on instruments and schemes of job and professional transition and re-conversion at national, sectoral or regional level in the EU.

<p>beE (transfer company) at Siemens, Germany⁶⁷ Since 2002, Siemens beE has taken charge of 6,500 former Siemens employees. Amongst other measures, this transfer company provides training opportunities to employees and they have the opportunity to do a full-time qualification such as a bachelor degree. The transfer company is linked with a network of 5,500 external companies.</p>	Positive impact on: -job security	The overall re-employment rate of Siemens beE is 75%.
<p>Teliasonera, Finland and Sweden⁶⁸ In 2005 and 2006, 1,600 employees were to be dismissed. Internal shifting (1,000 employees change jobs annually). A competence pool was created in 2006 providing counsel and training with the aim of finding internal or external employment.</p>	Positive impact on: -employability	23% of participants have found a job less than 1 month after the outplacement training, 26% within 2 months and 31% within 3-4 months.

Table 17 – Impact of Public Support⁶⁹

Measure	Type of Impact	Evidence
<p>Job Security Councils in Sweden Works councils set up by social partners and focussing on retraining and employability measures. Financed by annual employer contribution (ca. 0.3% of company's wage bill). Start their work before any dismissals take place.</p>	Positive impact on: - employability	More than 8 out of 10 people assisted by the largest Job Security Council in Sweden have found a new job and 2/3 of people found new employment at the same or a higher salary. In 2007, 90% of the clients of this Council had a positive overall impression of the support received. 3 out of 4 managing directors in affiliated companies found the Council useful in situations where they had to reduce the number of their employees.
<p>Rapid Response Services, United Kingdom Provided by Jobcentres to assist workers affected by significant redundancies. Services include consultancy for the company, information advice and skills and training assistance to workers,</p>	Positive impact on: - employability	<p>Over 60% of individuals whose destinations are known moved into employment after having made use of the Services and the majority were still in work 4 weeks later; Records suggest that the Services were directly responsible for</p>

⁶⁷ CEDEFOP. 2010. Socially responsible restructuring. http://www.cedefop.europa.eu/EN/Files/6107_en.pdf

⁶⁸ CEDEFOP. 2010. Socially responsible restructuring. http://www.cedefop.europa.eu/EN/Files/6107_en.pdf

⁶⁹ Unless stated otherwise, cases taken from Eurofound's Support Instrument Database: <http://www.eurofound.europa.eu/emcc/erm/supportinstruments/>

etc. Funding is obtained from the European Social Fund .		'placing' around 30% of those who found jobs;
Pärnu Linavabrik, Estonia In 2006, this company faced significant restructuring, and 121 of its 510 strong workforce were made redundant. This was publicly announced in November 2006, and redundancies were implemented almost immediately. Dismissed employees were supported through a European Social Fund pilot project in which 58 out of the dismissed workers participated.	No measurable impact on: - employability	An evaluation carried out in 2007 found no evidence of any lasting negative impact on the local economy or labour market as a result of this restructuring, although it occurred in a period when the demand for labour was very high.
Mobility Centres in the Netherlands Temporary public-private partnerships within companies offering advice, information and training support to employees both inside and outside the company with the goal of providing timely assistance to job seekers and businesses in order to prevent forced lay-offs.	Positive impact on: - employability	In the first five months of 2009, 43,000 people have found a new job via a work mobility centre. 5,000 of them were able to start work immediately after leaving their previous work.
Occupational Transition Contracts, France Redeployment scheme providing training oriented towards jobs and sectors with labour shortages and taking into account personal skills of the beneficiary. The scheme can run for up to 12 months.	Positive impact on: - employability	An evaluation found that 61% of the participants in the scheme have found a new job or established their own business at the end of the 12 month period.

ANNEX 4: COST BENEFIT ANALYSIS

Figure 5 - Cost curve for early consultation and job security based on minimum cost

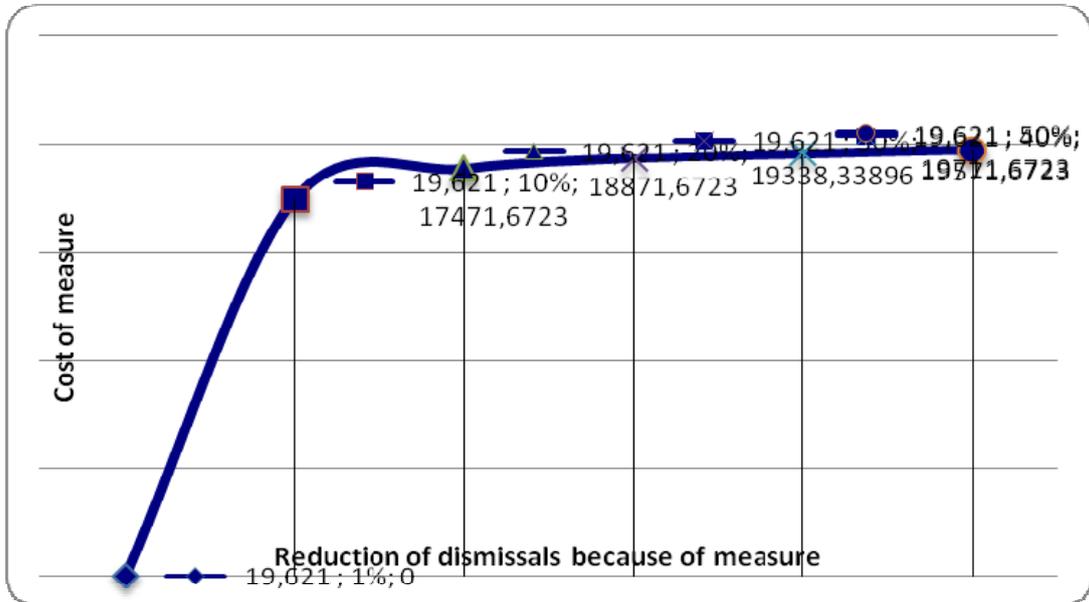


Figure 6 - Cost curve for early consultation and job security based on maximum cost

