



CONTRIBUTION TO THE EU-WORKSHOP 'ORGANISING TRANSITIONS IN RESPONSE TO RESTRUCTURING'

Chairman, ladies and gentlemen,

Our economies are in constant movement. This dynamism means that companies and organisations -and sometimes even whole sectors- appear, grow, shrink and, in some cases, disappear. Partly because of this movement, the labour market is also in constant flux. The result is that workers are looking for new jobs all the time. Either of their own free will, because they want to take on a new challenge, or because they are forced to do so.

In the Netherlands about 25% of the workers change jobs in a period of two years. This is enforced mobility in 25% of the cases.

This process takes care of itself, most of the time

This process leads to considerable mobility in the labour market, without requiring the organisation of any sort of support. This is fine, of course, but it's not the whole story. Which is just as well, or we wouldn't be meeting here today.

Particularly in cases of enforced worker mobility, in connection with the threat or the consequences of redundancy, it is extremely desirable to have a set of tools ready to deliver the help that these people will need to find new jobs.

Work to work-policy and rapid reinstatement

The principal policy instrument employed for this purpose in the Netherlands is what we call work to work-policy. This aims to help workers move straight from one job to another, with no intervening period of unemployment and consequent dependency on unemployment benefits, if their existing job comes under threat.

If this policy has insufficient effect and workers actually become unemployed, then it is vital that they get back into work as quickly as possible. This is because we now know that if this work is not found within the first six months, there is a great risk of long-term unemployment.

Employers and workers are primarily responsible for work to work-policy

In the Netherlands we take the view that responsibility for the implementation of work to work-measures for workers threatened with redundancy lies primarily with employers and workers in companies and organisations themselves. National, sectoral and regional associations of employers and employees can play an important supporting and facilitating role.

To an increasing degree, employers and employees in the Netherlands are giving form to this responsibility through agreements called "social plans". In essence, a social plan is an agreement between an employer and a representative of the employees on how the effects of restructuring on employees are to be dealt with.

The overwhelming majority of such social plans in the Netherlands -over 90%- comprise not just agreements on passive, financial arrangements (redundancy payments, severance bonuses and so on), but also agreements on work to work-measures. These measures includes matters as guidance and support in moving to another job (internal and external outplacement), training, support in setting up own companies and allowing employees to apply for other jobs during their working hours.

The actions agreed in a social plan are either implemented by the parties themselves or by a hired organisation. The latter are generally private intermediaries. Right up until the current economic crisis

broke out, the role of the public employment service in the implementation of social plans was a comparatively limited one.

The implementation of social plans is sometimes also supported by funds managed and financed by employers and employees in a given sector. These funds aim the optimal functioning of the labour market within that sector.

Small and medium-sized businesses need attention

So, the good news is that social plans are giving increasing attention to work to work-measures. The less good news, however, is that social plans are largely confined to larger companies and organisations, those with more than 100 employees. Small and medium-sized companies and organisations are making little or no use of this policy instrument, and also very limited use of other work to work-measures.

So an area of interest in the Netherlands is how increased attention is to be given to work to work-activities within small and medium-sized businesses undergoing restructuring. Time does not permit me to expand on this subject here, so I will confine myself to the observation that the support provided by the public employment service will have to play a more important role in this process than it does in the current implementation of social plans within larger businesses and organisations. This supporting role will also need to include a close collaboration with private intermediaries, such as outplacement- and temporary employment organisations.

Effectiveness

Today's invitation also contains a question about the effectiveness of the work to work-measures being employed.

With regard to the Netherlands it is difficult to make general statements on this matter. In a social plan, after all, employers and employees have to deal with tailor made restructuring matters in a specific company or organisation. This means that measures that work well in one situation may be much less effective in another. For instance, it is quite conceivable that the measures agreed in a social plan when a company or organisation is closed are different from those employed when it is taken over or involved in a merger. The general economic situation also plays an influential role.

None of this alters the fact that the situation in the Netherlands does allow something to be said about the factors affecting success and failure when setting up and implementing social plans, and about the instruments that can best be used in given situations. However, time forbids me from doing so at this moment, so I have prepared a document on these matters, a copy of which may be obtained from the conference organisers.

The economic crisis: mobility centres and shorter working hours

The economic crisis in the Netherlands has heightened the importance of the role played by the public employment service in the implementation of work to work-activities.

Since 2009, in reaction to the economic crisis, this organisation has been active with a country-wide, national network of 33 mobility centres. These centres, which are financed by the ministry of Social Affairs and Employment, were set up to help workers threatened with redundancy to find new jobs as quickly as possible.

The mobility centres are not the exclusive domain of the public employment service. They work in close collaboration with private intermediaries and training organisations.

In 2009 the mobility centres found a new job for 13.000 workers threatened with redundancy before they had to be fired. Employers value the activities of the mobility centres with a 7,4 out of 10.

Another economic crisis response instigated by the Dutch government is intended to prevent work to work-measures. In essence, it enables employers to shorten the working hours of their employees, compensation for which is provided from unemployment funds. This means that during a period of

economic crisis employers are no longer compelled to fire skilled but underemployed employees. The experience possessed by these workers, and the investments made by their employers in their training, then stay with the company and can be used immediately when the crisis is over.

In order to improve the employability of these workers after the crisis has passed, employers are obliged to provide training opportunities during the period of reduced working hours. The mobility centres I just mentioned can advise employers on the various forms this training obligation can take.

In closing: preventative work to work-policy and reintegrating the unemployed

Chairman, ladies and gentlemen, I am almost at the end of my contribution. I would like to request your attention for two more topics that time prevents me from elaborating more fully.

Firstly, the importance of preventative work to work-policy. This policy aims to stimulate the broad, long-term employability of employees, also when no concrete threat of redundancy exists. Training is an important component of this policy. It is a two-way process: employers have to be prepared to invest in the employability of their employees, while employees have to be open to “lifelong learning” and to keep their qualifications and competences up to scratch.

Secondly -as I mentioned at the beginning of my address- the importance of getting people back to work as quickly as possible if, work to work-efforts notwithstanding, they are actually made redundant. The public employment service does not bear this responsibility alone. Experience in the Netherlands has taught that the best results in this area are obtained when (1) the public employment service, the municipalities and the private intermediaries work together in public/private partnerships, and (2) funds that are earmarked for the reintegration of unemployed workers (for instance through training) are employed in a demand-driven manner. That is in cooperation with employers and associations of employers and employees in sectors.

Chairman, ladies and gentlemen, I have reached the end of my introduction. Thank you for listening.

APPENDIX

WORK TO WORK-POLICY: PRECONDITIONS FOR SUCCESS

The Dutch Council for Work and Income (*Raad voor Werk en Inkomen*¹) did research on the factors affecting success and failure when setting up and implementing social plans in the Netherlands. This research also examined which work to work-instruments could best be used in given situations. This appendix describes the most important results of this research.

The success and failure factors of social plans

The success of agreements made in social plans on work to work-activities depend *in general* on the following factors:

- the willingness of employers to invest in work to work-activities;
- employees who are motivated to take part in work to work-activities. This applies particularly to less well qualified employees who may have already worked at a company/organisation for many years;
- employee involvement can be improved if employees see the social plan and the measures it contains not as a threat but as an opportunity. Trust and openness are crucial aspects. It has to be clear who is covered by the social plan and under what circumstances. The consequences of participation in an activity or arrangement must be completely transparent. Those implementing the plan must do their work to a high standard and a complaints committee must be in place;
- the union and the works council must be closely involved not just in the creation of the social plan, but also in its implementation (for instance, by being included as members of the committee supervising its execution);
- employees threatened with redundancy must be given the time needed to accept the new situation (the grieving process) and to independently draw up an inventory of their new options on the labour market.

The success factors affecting *the creation of a social plan* are:

- custom-made provisions. No single work to work-measure has, by definition, to be included in a social plan. The (scale of the) efforts and activities chosen must be determined on a per-organisation and per-restructure basis, depending on:
 - the size and composition of the group of employees threatened with redundancy;
 - the financial means of the organisation involved;
 - the job prospects of the employees threatened with redundancy;
 - the situation on the sectoral and regional labour market;
- agreeing on clear, unambiguous and objective criteria by which to determine whether a given employee is redundant;
- specific measures for each of the different categories of employees covered by the social plan. Employees with poor job prospects have different needs for guidance and support than those with better prospects;
- clear agreements on targets (for instance, the number of reappointments to be achieved);
- (excessively) high voluntary severance bonuses or redundancy schemes can influence the degree of participation in work to work-activities.

With regard to *the implementation of social plans* success factors include the following:

¹ The *Raad voor Werk en Inkomen* (Council for Work and Income) is the Dutch consultative body and expertise centre for employers, employees and municipalities in the area of work and income. It provides proposals in the work and income domain for government and other parties, whose aim is the optimal function of the labour market. Other tasks of the Council include making the reintegration market more transparent and improving the quality of the services on this market.

- work to work-measures for employees threatened with redundancy have a better chance of success if the employer has invested in preventative work to work-measures in previous years;
- timely information to employees on the “how and what” of a social plan. After this is given, the measures themselves must promptly be begun, otherwise a breeding-ground for confusion and insecurity can arise;
- the employees involved must be given individual attention and tailor-made help. Individual attention can take the form of individual guidance by a single contact person. Tailor-made help means providing the specific measures and instruments needed by each individual employee to find a new job;
- recruiting a number of outplacement organisations, whose efforts are directed towards different segments of the labour market (this makes tailor-made solutions possible);
- the provision of adequate training options;
- close cooperation with other relevant parties in the regional labour market, such as the public employment service, municipalities, private intermediaries and training institutes.

The principal *failure factors* are the mirror images of the success factors described above, to which the following points can be added:

- during the implementation of a social plan it sometimes turns out that the number of employees who actually need to find new jobs is actually smaller than had originally been feared. In that case an elaborate and costly implementation and guidance programme is only partially used in practice;
- a lack of coherence between a social plan of an organisation and its human resources management in a more general sense;
- failure to motivate low-skilled workers in particular to take part in a work to work-programme rather than opt for severance pay;
- a social plan which has set too long an intermediation period. This can have the effect of taking the pressure of employees looking for new jobs;
- social plans are sometimes created under excessive time pressure, or have to be carried out under excessive time pressure;
- employers fail to enlist the support of external advisors in carrying out their social plans;
- in cases where a company/organisation closes down , the employer may try to keep employees on as long as possible in order to bring existing work commitments to a satisfactory conclusion. This can be at odds with the commitment to offer a work to work-programme to employees facing redundancy.

Effective measures

There exists a reasonable degree of consensus between employers and employees on the effectiveness of the various measures that may be included in social plans.

As most effective measures are considered:

- mobility centres;
- training;
- a voluntary redundancy programme for older employees.

There is also agreement on the positive effects of:

- internal support/coaching;
- support for employees looking to set up their own company;
- allowing employees to apply for other jobs during their working hours;
- secondment;
- voluntary severance bonus scheme;
- an outplacement organisation;
- redundancy payment;

- supplement of income for a certain period.

There is moderate agreement on the positive value of:

- compensation of removal and travel expenses;
- the stimulation of part-time work
- voluntary severance which allows another employee to stay on.

There is general agreement on the ineffectiveness of internal and external employee pools.

Actual use and effectiveness

The actual use of the agreed measures varies in practice. Some of the measures widely deemed to be effective have been used by many employees, others have been used much less. For instance, internal support and mobility centres have both been deemed effective and both are frequently used. Not all employees can start up their own companies, but for those who do, support in this area is a very effective instrument.

Allowing employees to apply for other jobs during their working hours is widely used and effective. Special transition arrangements for older employees are used less frequently, but are nonetheless very effective.

Which activities and instruments for which situations?

Introduction

To answer the question of which work to work-measures should be employed in a given practical situation, it is important to distinguish between four basic situations, each of which demands a different approach and a specific mix of instruments:

1. A gradual change situation in which reinstatement is possible;
2. A gradual change situation in which reinstatement is impossible;
3. An acute, drastic change situation in which -some- reinstatement is possible;
4. An acute, drastic change situation in which reinstatement is impossible.

A company or organisation should start by examining whether internal reinstatement is an option before considering external outplacement. In practice, the internal route is followed by the external route. Cost-effectiveness and the retention of professional skills play a role here. A labour market scan or capacity test can show whether internal reinstatement is an option.

Secondly, the package or instruments and activities provided should be differentiated with regard to the job prospects of the employees. For instance, finding new jobs for superfluous young employees with good job prospects requires only a modest effort and in many cases retraining will not be needed. Older employees, however, who have been in the job for many years and who do not have such good prospects elsewhere, need a more intensive package of measures and instruments in order to successfully find a new job. This may well include a longer retraining period, group sessions to assist in the grieving process and more intensive, prolonged coaching.

Gradual change, reinstatement is possible

This is generally a gradual and/or small-scale reinstatement operation, needed because a given function expires or the job description changes to such a degree that its current occupant could not fulfil its requirements even after retraining.

In a situation like this training or retraining can allow the employee to be reinstated in another job within the company/organisation. Most companies/organisations also agree procedural protocols on job vacancy announcements, application priorities, applicant/vacancy fit, and so on. And in practice

many companies/organisations elect to facilitate this procedure by means of internal secondment. In such cases, income replacement (to bridge differences between the “old” and the “new” job income) represents a useful ancillary tool.

If a situation like this starts to affect numerous jobs within the company/organisation, for instance because certain functions are being gradually phased out, then it is more appropriate to use a small-scale mobility programme (an internal job centre or mobility centre, for example) to deploy a wider range of instruments with which to help employees facilitate this change. If the focus is on internal reinstatement, the appointment of an external mobility bureau is inadvisable.

Gradual change, reinstatement is not possible

This also concerns small-scale redundancy situations, but here no internal reinstatement is possible. This can occur in cases in which:

- a unique position is being discontinued or phased out;
- an employee no longer wishes to work under their own employer;
- employees are strongly attached to their position.

In this situation, an external outplacement programme is indicated. The choice of a good outplacement organisation then becomes crucial.

To facilitate external outplacement many companies and organisations work with “look-around” work placements or external secondment. In practice secondment occurs both with and without a guarantee of return. A return guarantee removes much initial uncertainty amongst employees, but makes little long-term difference. In practice employees seldom make use of this right.

In a gradual change scenario with an external focus, severance bonus and redundancy pay schemes are appropriate instruments. In an increasing number of situations, companies and organisations are opting to allow employees to choose between financial compensation and an outplacement programme.

Acute, drastic change, reinstatement is possible

An example of this situation would be the discontinuation of a certain department. If it contains a mix of positions, some of which are to remain within the organisation, then at least part of the staff may be reinstatable.

If internal reinstatement seems possible, the “potential redundancy”-instrument can be employed. In practice people show more readiness to move in the absence of a real threat of redundancy. It is then important that those with the greatest redundancy potential are given facilitation and that the potential redundancy period is of a specified length, for example 12 months. Over this period employees can be guided towards another internal or external job.

In this situation, an internal mobility centre and agreements on the filling of internal vacancies are also appropriate. Finally internal secondment, severance bonuses and redundancy pay may be usefully deployed.

Acute, drastic change, reinstatement is not possible

In an acute, drastic situation in which it is clear that the internal reinstatement of large groups of employees is impossible, the focus must be on the appointment of an outplacement organisation that meets the following criteria:

- full service (including job hunting). Since this situation means that the aim is to find new jobs for redundant employees as quickly as possible, it makes sense to choose an outplacement organisation that specialises in this activity;
- quality;

- adequate scale of activities and knowledge of the regional labour market. Some outplacement organisations operate at regional level and can offer a full service package for group outplacements.

It is important that a labour market scan is used in providing a differentiated outplacement programme to different (groups of) employees. This may include a rather long training programme, for instance in order to help employees start up their own companies, or to help retrain redundant workers in another professional area. It may also include a pool of employees with poorer job prospects. These employees will need a prolonged and more intensive (training) programme, after which they can obtain new work experience via secondment with an external employer.