



Partnership Action for Continuing Employment Desk Research Report

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EXECUTIVE SUMMARY

Introduction

1. PACE (Partnership Action for Continuing Employment) is the Scottish Government's national strategic partnership.
2. In March 2011 the Scottish Government and Skills Development Scotland (SDS) commissioned a programme of secondary, desk based research to be carried out on behalf of the PACE Partnership. The broad aims of the research were to assess international evidence on policy and practices of other countries in providing support to businesses and individuals facing redundancy and to provide evidence based recommendations for enhancing the operation of PACE in Scotland.
3. This Executive Summary highlights the key findings emerging from the review and what the key implications of these findings might be when considered in the context of PACE.

Restructuring

4. Restructuring is an increasingly prevalent facet of modern business processes, carried out to increase productivity, reduce overheads and develop market positioning. The European Monitoring Centre on Change (EMCC) has identified seven types of restructuring based on reasons provided by companies for making redundancies: relocation, outsourcing, offshoring/delocalising, bankruptcy/closure, merger/acquisition, internal restructuring, business expansion.
5. The European Commission has estimated that between the years 2000 and 2007, the net effect of restructuring was the creation of an *additional* 12 million jobs. In 2003, the CIPD estimated growth on a similar scale from 2006 onwards. However, effects of the global recession and financial turmoil has meant that demand for new workers across Europe fell in 2009-10 with the total labour market shrinking by 2% resulting in the loss of 4.5 million jobs (Cedefop, 2010, p26).

6. 'Socially responsible restructuring' (Eurofound, 2006) has seen growth in recent years – that is the process of taking into account individual and stakeholder needs and going beyond the minimum requirement when displacing staff members. This process has a longer history in the US which, it has been argued, was carried out principally for the morale of 'surviving' staff, managing former employees' perceptions of the company and maintaining the company's reputation in the community.
7. Corporate restructuring now appears to be a continuous process rather than simply a reaction to events. Ensuring that displaced workers can transition smoothly into alternative employment has become a massive challenge globally and one of significant importance – not just in terms of personal development, but also in terms of managing the burden on the state. What needs to be addressed are what are the key examples of good practice institutionally and from a policy perspective.
8. The consensus from review of the available literature, is that employees require first and foremost some level of "safety net" to aid the transition period, although there was no clear consensus of what this should be – this is primarily because markets differ so much in terms of skill set and requirement, sector buoyancy and indeed industry profiles across countries and markets. The following outlines the broad themes emerging.

Support at an Institutional Level

9. **Advice and support** is required, including individualised elements which allow specific – and tailored – advice to suit individual needs relevant to individual circumstances.
10. **Partnership working** between agencies offer a key opportunity to deliver effective transition services. The key factors in a successful partnership include:
 - a. Established working arrangements to be in place before dealing with the redundancy situation;

- b. The ability to respond quickly and with flexibility;
 - c. Clarity in role in responsibility;
 - d. Client-centred commitment and responsiveness (Cedefop, 2010, pp67-68).
11. **Intelligence and communication** at all times are considered of utmost importance. This involves labour market information and training opportunities being made available to ensure displaced workers are aware of upcoming and available opportunities. Broughton (2009) in his guidelines on socially responsible restructuring, speaks of the importance of constant dialogue with staff to ensure all are aware of what is being discussed and how discussions are progressing. Further advice from the same journal outlines further guidelines on responsible restructuring, including:
- a. Alternative working patterns;
 - b. Pay/bonus cuts;
 - c. Internal redeployment;
 - d. External redeployment within the sector;
 - e. Training to increase employability;
 - f. Outplacement activities, e.g. job search, CV surgeries and interview prep;
 - g. Priority of rehire;
 - h. Support for entrepreneurship and local community investment.
12. The guidelines above relate more to restructure; however when redundancy situations become necessary or inevitable, the guidelines related most commonly to voluntary severance and early retirement, where relevant.
13. Best practice examples from the UK include the Better West Midlands Project, ReACT in Wales and PACE in Scotland (Cedefop, 2010, pp65-66).
14. A recent study from Eurofound (2011) shows that a number of partnerships have been introduced across Europe as a response to global recession, with the aim of increasing employability amongst the workforce, by improving skills – as yet, there have been no former evaluations of the partnerships. Examples include:
- a. **France**; inter-sectoral agreements signed by social partners to deliver employers and employees with guidance and access to information on resources and training programmes.
 - b. **Luxemburg**; development of “Fit4Job” between the Ministry for Labour, Luxemburg Bankers’ Association (ABBL) and the Institute from Training and Banking (IFBL) to support redundant workers in the financial services sector (Eurofound, 2011, p24).
 - c. **Croatia**; consultation exercise and partnership working between a very wide variety of stakeholders and employees in a massive restructure of the Technomont Shipyard between 1999 and 2003 (Broughton, 2009).
15. **Transition time** in leaving employment is crucial. Although these are generally governed by policy, modifications may be negotiated at a local level. Many best practice case studies involve transition periods of six to 12 months. Whilst open to some criticism, transition times at Siemens lasted up to two years and redeployment rates were as high as 75-80%.
- ### Support for Employees
16. The literature supports several important initiatives for assisting displaced workers, including:
- a. An action with goals;
 - b. Support to understand skills and experience – CV assistance etc.;
 - c. Aptitude and attainment assessments;
 - d. Support in job searching (including search training and interview preparation);
 - e. Developing, implementing and actively managing an individualised programme of support.

17. These should be delivered through a variety of channels and mechanisms including: one to one support, group support, resource centres (such as transfer companies) – see MIRE, 2005, p28 – job fairs, internships/placements and public access career advice services.
18. There is a need to provide a balance between specific, practical advice and support for displaced workers – e.g. CV preparation, interview technique, job search and benefits advice etc. – and more emotional support. Much of the research highlights the emotional and health related concerns for displaced workers and these need to be addressed also.
19. With respect to career guidance specifically, many published reports indicate that this needs to be customised as much as possible to suit individual needs, including a need for improvement for vulnerable groups and collaboration with other networks.
20. In terms of mental and physical health needs, Kieselbach (2009) has noted the detrimental effects which can be experienced by displaced workers including mental health problems (e.g. depression and social isolation) and physiological through a deterioration in health behaviours (e.g. taking up/increased smoking and alcohol consumption). Further, deterioration in healthy behaviour has been shown to reduce employability (MIRE, 2009, p8).
21. The Cedefop (2010) report highlights a growing policy emphasis on building individuals' own career management skills and supporting their lifelong transitions within the labour market and outside.

Bankruptcy

22. Companies going bankrupt/insolvent presents a challenge to support organisations and initiatives as the process can be one which happens abruptly, not allowing employees to prepare. Aforementioned guidelines of open dialogue and/or extensive notice periods are impossible in these situations.

23. Support from governments in most European countries includes some guarantee of payment of claims workers have against their employers to cover loss of earnings; however the status of former employees on creditors lists is inconsistent. Further, involvement of social parties in cases of bankruptcy varies. In the UK, there is no legal distinction between collective redundancies that occur as a result of bankruptcies and other forms of restructuring. However, support measures are difficult to implement once a company is insolvent as they rely heavily on the displaced employee activity seeking them out.

Flexicurity

24. Flexicurity is a relatively new strategic approach, combining employers' need for flexibility and employees' need for security (i.e. confidence that they will not face long periods of unemployment).
25. Variations in national frameworks would make the specification of a single flexicurity model impossible; however the EU has worked with national governments, social partners and academics to produce a set of common underlying principles of flexicurity, which cover four broad areas:
 - a. More flexible and secure contractual agreements;
 - b. Lifelong learning strategies to ensure workers continue to develop skills and increase employability;
 - c. Effective active labour market policies to facilitate transitions into new jobs;
 - d. Modern social security systems to provide income support during transitions (Council of the EU, 2008, p3).
26. In essence, this boils down to flexible contract agreements to suit employee and employer, continuous staff training and a simple benefits system to support those in need.
27. Some examples of Flexicurity in action in Europe include (cited from *Mission on Flexicurity*, Council of the EU, December 2008):

- a. **France** – companies with more than 300 employees must review business strategy and future job and skill requirements to enable improve human resource allocation and identify vocational training tools.
 - b. **Spain** – Since 2007, employees have been entitled to training leave, whilst companies are entitled to financial aid to support training requirements.
 - c. **Finland** – the ‘change security model’ supports retraining of employees made redundant for economic reasons; including job seekers leave during notice periods, together with training and job seeking programmes.
 - d. **Sweden** – ‘transition agreements’ are in place which cover 2 million employees in the event of restructuring.
28. Flexicurity requires a high degree of trust between social parties and wide ranging dialogue between all national players (i.e. government, economic and administrative organisations etc.). Further, to successfully devise training that anticipates market requirements, it requires clear and up to date analyses of the labour and skills market.
29. Some countries in Europe, most notably Germany (in addition to Belgium, France, Sweden) have introduced a reduced worked hours programme in collaboration with the national governments whereby staff working hours are reduced by between 10% and 100% for specified periods of time when work is sparse in the hope it will one day improve. In most cases some level of training is provided during these times of reduced working hours (Eurofound, 2010). The report stresses the importance of providing this support only to those companies with a viable economic future.
30. The literature clearly suggests that packages of advice and support are required to enable employees to transition out of restructured businesses and into new employment. Robust labour market information and networks provide an invaluable resource for these support activities.
31. The two main barriers to the provision of adequate support to displaced employees are the time available (especially during notice periods) and the resources available at a company level – supporting the need for government backed initiatives such as PACE.
32. A key issue with centralised support mechanisms is that they are often packaged, which rarely fits the needs of individual circumstances. Where possible, service packages need to be tailored to account for these circumstances.
33. Critically, there is a need for support services to be delivered to those most vulnerable to the effects of redundancy – older worker, less skilled workers, those in certain moribund industries (Cedefop, 2010, p78). Further, the services provided need to enable displaced workers to become more flexible within the labour force.
34. The analysis also suggests that displaced individuals’ health needs to be considered – both physical and mental, suggesting the need for health promotion initiatives as part of the restructuring activities.

Implications and Recommendations for PACE

35. The need for a specific, dedicated and publicly funded support service for redundant workers is affirmed by this research. Company restructure is a continuous process and the drive towards austerity is arguably more prevalent than ever.
36. Despite the existence of numerous private HR firms providing support for outgoing employees, dedicated services like PACE, are extremely rare – the closest similarity being ReAct in Wales which has lost its funding.
37. In whatever incarnation support services are provided, it is essential that restructuring organisations demonstrate both passive (e.g. severance packages) and active (e.g. support and training) measures, to cushion the impacts of redundancy, encourage entrepreneurship and ease transition back to employment.

38. It is important that services such as PACE are involved at as early a stage as possible, this however, does not mean they should play a role in prevention or early intervention issues.
39. PACE has the potential to model a pioneering example of how to support redundant workers and companies facing restructure or insolvency.
40. The need for partnership working cannot be overemphasised. Partnership organisations need to be complementary and in no way competitive. For example, HMRC can handle financial support information, Job Centre Plus to ensure completion of correct forms and procedure, whilst careers advisors can focus on the return to work.
41. There is a strong need for 'surviving' employee support - especially as restructure is a continuous process.
42. Support needs to provide a balance of emotional and practical assistance, it should be tailored where possible and it needs to consider contextual information, e.g. local and community issues, personal circumstances and sector conditions.
43. There is a need for impartiality in the services. Often private sector HR firms are employed; however this is often simply to manage PR and the employed firm's allegiance is principally to its client, not its beneficiaries. This highlights a specific strength of PACE.

1. BACKGROUND AND OBJECTIVES

1.1 Context and purpose of the research

1.1.1 In September 2010, there were around 229,000 unemployed people in Scotland – reflecting 8.5% of the adult population (aged 16 or over)¹. Furthermore, the events of the global financial crisis in recent years have had a significant impact on Scotland's labour market. A recent Scottish Government review predicted 60,000 job losses in the public sector alone by 2014-15². This, coupled with the extent of anticipated job losses in the private sector across Scotland, points to an increased need for some level of guidance, support and advice for those facing redundancy.

1.2 PACE

1.2.1 Initiated in March 2000, PACE (Partnership Action for Continuing Employment) is the Scottish Government's national strategic partnership framework for responding to redundancy situations. The initiative exists with the primary objective of minimising the time people affected by redundancy are out of work. This is achieved by being available to such individuals and Scottish organisations – with a view to ensuring they are suitably equipped to respond to potential and proposed redundancies in an effective and efficient manner. Skills Development Scotland (SDS) co-ordinates PACE at a national level and facilitates local level response teams providing tailored help and support for individuals at risk of, or experiencing, redundancy.

1.2.2 Whilst the response to each redundancy situation is tailored to meet individual needs and local circumstances, the services offered will generally include:

- Full Jobcentre Plus services

- One-to-one counselling and advice on career development and opportunities
- Access to training
- Seminars on skills; e.g. CV-writing and starting up a business
- Access to IT facilities

1.3 Development of PACE

1.3.1 There is a commitment to continually develop and improve the services offered by PACE. Recently, the following activities have been undertaken:

- A new data capture system has been introduced to record all PACE interventions across Scotland;
- A client experience survey was undertaken to evaluate specific PACE services, revealing positive results across the board;
- A PACE Conference was held in October 2010 which produced a series of steps to be taken to enhance the PACE service;
- A qualitative research project has been undertaken by George Street Research to assess the 'customer journey' and how well PACE meets the needs of those on that journey;
- The SG is also commissioning work to consult on options for the future delivery model of PACE and to clarify the role of PACE in Early Intervention and Skills Utilisation.

1.4 The study remit

1.4.1 This study is designed to further inform PACE's work, by ensuring the Partnership is aware of alternative models of delivery and success in similar agencies across the world.

¹ Based on Monthly Unemployment Report, November 2010, Skills Development Scotland

² <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-10794298>

The specific objectives of this research can be summarised as follows:

- To assess international evidence available on the policy and practices of other countries in providing support to businesses and individuals facing redundancy;
- To review any international evaluation evidence available, both affirming or undermining a PACE-like service;
- To assess the key barrier and enhancers of delivering redundancy support to both businesses and individuals;
- To summarise interventions on a country-specific basis in a case study format, appended to the final report;
- To provide evidence based recommendations for enhancing the operation of PACE in Scotland.

1.5 Study approach

1.5.1 The study was undertaken through secondary, desk-based research; i.e. drawing on literature published in hard copy and online.

1.5.2 A number of steps were taken to identify the relevant literature:

- Information provided by PACE. A number of documents were provided, including a very recent report into effective strategies for supporting redundant working produced by Cedefop. On analysis, it was clear that this report updated and pulled together a great deal of the existing literature, and consequently emerged as a key resource for the study.
- Literature search – a general internet search was undertaken, using a range of criteria including:
 - Collective redundancies, collective dismissals, employment restructuring, downsizing;
 - [Models of] Redundancy support;
 - Compassionate downsizing, socially responsible restructuring;
 - Re-skilling;

- Flexicurity;

- Review of information from relevant research, industry and government bodies. A wide range of organisations were accessed:
- Government department websites – for policy information, information on initiatives, and research reports. These included the UK, Scandinavia, esp. Denmark and Sweden, Australia, New Zealand, United States of America, Germany, France and Republic of Ireland (with non-English text accessed using translation functions offered);
- Websites of specialist (government) agencies, including the Improvement and Development Agency (I&DeA), the TUC;
- International government agencies, including the European Employment Observatory which produces a reference list of key publications in labour market research³, Cedefop, Eurofound (European Foundation for the Improvement of Living and Working conditions), ILO, Commission of the European Communities.

1.5.3 Preference was shown to more recent literature and case studies (although it was not always possible to restrict searches by date). We have tried not to quote literature from before 2000 and case studies from before the mid-1990s, although case study evidence used elsewhere in these publications may well date from well before this (as there is a tendency to recycle evidence from a fairly limited set of studies).

1.5.4 All sources were subject to a strict evaluative process to ascertain the validity and reliability of their source and author, the quality of the content and relevance to the topic of concern and to root out any bias or subjectivity. This involved cross referencing found articles with the original publishing source, and establishing that the information within the article is quoted accurately and taken from reliable data sources.

3 <http://www.eu-employment-observatory.net/resources/reports/LiteratureReview-February2011.pdf>

2. MAIN FINDINGS: RESTRUCTURING AND REDUNDANCY

2.1 Introduction

- 2.1.1 This chapter sets out the main study findings, considering the policy and practice adopted in dealing with collective redundancy situations, highlighting the barriers that firms face, and examples of support and good practice that have been developed. Where possible we consider the implications this has for PACE.
- 2.1.2 The chapter starts by considering what is meant by “restructuring”, then moves on to discuss the measures that have been adopted to mitigate adverse effects. The second part of the chapter covers a number of particular issues that have emerged within the literature:
- Bankruptcy;
 - Employability – the slightly elusive concept that encompasses transferable skills and career management;
 - Flexicurity – a relatively new strategic approach that combines an increasingly flexible workforce with increased security (in terms of benefits and support into employment/employment opportunities) for workers;
 - Health – health impacts of restructuring and the rationale for support;
 - Support for business growth out of restructuring.

2.2 Restructuring

- 2.2.1 International economies have been undergoing marked change over several decades now, as they adjust to factors such as privatisation, technical change, business cycles and globalisation. Individual companies rarely can take no action in the face of such change – typically, they are pressed to increase competitiveness, adjust their workforce, develop and exploit new services/products, and so on.

Economic restructuring is therefore a broad term and does not just cover downsizing. The European Monitoring Centre on Change (EMCC) defines seven types in its *European Restructuring Monitor* (although notably, this categorisation is principally, but obviously not entirely, based on the reasons given by companies for declaring redundancies):

- **Relocation** – when the activity remains within the same company, but is relocated elsewhere in the same country;
- **Outsourcing** – when the activity is subcontracted to another company within the same country;
- **Offshoring/delocalisation** – when the activity is relocated or outsourced to another country;
- **Bankruptcy/closure** – when an industrial site is closed or a company goes bankrupt for economic reasons not directly connected with relocation or outsourcing;
- **Merger/acquisition** – when two companies merge or one company makes an acquisition; this can subsequently lead to an internal restructuring programme aimed at ‘rationalising’ the organisation by cutting jobs;
- **Internal restructuring** – when the company undertakes a job-cutting plan, which is not linked to another type of restructuring defined above;
- **Business expansion** – where a company extends its business activities, hiring new workers;
- **Other** – when a company undergoes a type of restructuring that is none of the above [Eurofound 2006, p6].

- 2.2.2 Critically, these categories are by no means mutually exclusive: a market may well be experiencing a mix of situations – staff movements within organisations, declines in some sectors, and growth in others. Indeed, a variety of situations may well exist within a single enterprise over a period of time as it adjusts to changing market situations.

- 2.2.3 The European Commission has estimated the net effect of restructuring across the EU over the period 2000-2007 was an **additional** 12 million jobs. Estimates are for growth of a similar scale for the next ten years (2006 onwards) [CIPD, 2003]. Nonetheless, over recent years, the recession has had marked impact across the EU, with the most pessimistic estimates suggesting that the demand for new workers across Europe fell by a third in 2009-10, with the total labour market shrinking by nearly 2%, resulting in the loss of approaching four and a half million jobs [Cedefop 2010, p26].
- 2.2.4 It appears now that corporate restructuring has become a continuous process, with increasing flexibility required of enterprises and employees. Organisational research in the UK (CIPD, 2009) now suggests that multi-national and other large companies in the early years of the new century were undergoing major change about once every three years, while more localised changes were even more frequent. Therefore, as the model above suggests, even once the economy moves past recession, job losses within enterprises will remain a feature of the labour market. Ensuring that displaced workers can transition smoothly to appropriate alternative employment is critical, both for the welfare of the workforce and also for the economy (principally in terms of a supply of skilled labour that match vacancies, but notably the American authorities also note wider economic benefits in terms of corresponding tax revenues, consumption expenditures, and savings in welfare benefits [ETA, 2009, piii, p75]).
- 2.2.5 Over recent years, and in some countries more than others, there has been a shift towards the concept of 'socially responsible restructuring' [Eurofound 2006, p10]. This is an holistic approach to restructuring; that takes account of the interests of all the organisation's stakeholders - managers, owners/shareholders, workers and the community when restructuring, rather than simply the interests of the enterprise itself. As a consequence, many national governments and individual employers go beyond the minimum legal requirements when managing restructuring that involves redundancies.

- 2.2.6 The Cedefop report [p35] notes that the concept of "compassionate downsizing" has a longer history in the US, where research has found that most firms offered displaced workers services beyond the basic minimum. However, it is worth noting that the prime motivation for delivering these benefits does not seem to be assisting the displaced workers themselves, but ensuring the continued smooth running of the enterprise: the top four reasons for offering transition benefits were to sustain the morale of retained employees; demonstrate the company's commitment to remaining employees; manage former employees' perceptions of the company; and maintain the company's reputation in the community.

2.3 Key elements of good practice

- 2.3.1 The review of the literature provided a clear insight into the range and nature of measures that are currently employed in restructuring situations in Europe and beyond. It should be borne in mind that the literature generally focuses on examples of exemplary practice, and even then, while researchers have sought to consider the cases objectively, few if any have been robustly evaluated and none have been reviewed in terms of the medium to long-term effects.
- 2.3.2 There was, however, a clear consensus that employees require a safety net to support them into and through the transition period, albeit no consensus as to the detail of the safety net. Given the variety of legislative, structural and informal (norms) frameworks that exist this is hardly surprising. Further, the market in which employees are seeking alternative employment differs between countries (and regions); as do types of workers (age, industry, skill level, etc.); impacting on the type of response required and, in some cases, the type of response available. Nonetheless, some broad themes did emerge.

2.4 Support at the institutional level

2.4.1 *Advice and support*

2.4.2 Broad ranging packages of advice and support are required, including individualised elements, to ensure that displaced workers are enabled to receive services appropriate to their own requirements. The needs of vulnerable workers in particular should be considered. The section below, as well as the case studies in the appendices, considers best practice on delivering these services to employees.

2.4.3 *Intelligence*

2.4.4 There is a requirement for robust labour market information and networks, to ensure that training advice and opportunities feed through into employment supply, and to ensure that displaced workers are enabled to access work opportunities. The case studies suggest that this has to be actively, and possibly aggressively, managed if significant numbers of workers are to be effectively redeployed.

2.4.5 *Partnership working*

2.4.6 Inter-agency and inter-sector partnerships offer a key opportunity to deliver effective transition services – not least because in many cases they offer funding and service solutions not available to employers unilaterally. The key factors identified in making partnerships a success are:

- strong partnership arrangements that pre-date the redundancy situation;
- the capacity to respond quickly and flexibly; multiple guidance solutions together with coherence in provision through robust leadership and project management;
- clarity of roles and relationships;
- client-centred commitment and responsiveness [Cedefop pp67-68].

2.4.7 Notably the key examples of good practice cited were from the UK: the Better West Midlands Project, ReAct in Wales, and PACE [Cedefop 2010 pp65-66] – a further explanation

of these is outlined in the Case Studies section later in this report.

2.4.8 Broughton (2009) has outlined a series of key guidelines on how socially-sensitive labour force restructuring in South Eastern Europe could be most effectively implemented. These include:

- Alternative working patterns – e.g. flexible/reduced working hours;
- Pay/bonus cuts;
- Internal redeployment within the company;
- External redeployment within the sector;
- Training to increase employability;
- Outplacement activities, e.g. job search, CV surgeries and interview preparation;
- Priority of rehire, should work levels return to more positive levels;
- Support for entrepreneurship and local economy investment.

2.4.9 The guidelines above relate more to restructure and are most likely relevant for bigger companies and those with a more diverse work force, skewed towards the semi-skilled and unskilled market. When redundancy becomes necessary and inevitable, the important guidelines related mostly to offering voluntary severance and early retirement, where relevant.

2.4.10 Arguably most importantly of all, Broughton references the importance of “social dialogue” in these situations – ensuring employees are always kept up to date with what is happening and implying some level of collaboration to find the best way forward.

2.4.11 Possibly the greatest barrier to delivering programmes has been the availability of, and ease of access to, funding. Sources and levels of funding vary between countries

(and in some cases, between regions), and for different restructuring programmes. Working with national and regional bodies tends to open up funding opportunities as well as opportunities to access resources in kind. However, in some cases, the application processes can be slow and cumbersome. Indeed, Cedefop makes specific mention of the complex funding process that the RDAs in England have had to negotiate, and notes that as a result of PACE and ReAct arrangements in Scotland and Wales are, at least, more co-ordinated [p71].

- 2.4.12 A recent study from Eurofound [2011] notes that a number of partnerships focusing on skills development have been introduced across the EU in response to the recession [p1]. These are designed to improve individuals' skills and employability, and to shape the future competitiveness of their employers. The study found that a number of European countries have made use of existing, or set up new, partnership arrangements to help redundant workers or those at risk of losing their jobs through skills development and training. Although there has, as yet, been no formal evaluation of these measures, the report concludes that the examples suggest these partnership arrangements can work efficiently and effectively to facilitate job retention.
- 2.4.13 Examples of partnerships include:
- 2.4.14 In several regions in France, inter-sectoral agreements have been signed by social partners to mobilise their bipartite organisations to respond better to the needs of employees and employers in the short and medium terms. These agreements allow the delivery of guidance and access to information relating to training programmes and resources for employers and employees in the current economic context.
- 2.4.15 In Luxembourg, an initiative was taken at the national level to support redundant workers in the financial services sector. The Ministry of Labour and Employment developed the training measure 'Fit4job' in cooperation with the

Luxembourg Bankers' Association (ABBL) and the Institute for Training in Banking (IFBL) [Eurofound 2011, p24].

- 2.4.16 Broughton (2009) has commented on the value of partnership working in restructuring and redundancy situations - specifically looking at external, private sector consultancy firms. The report references a massive restructure at the Tehnomont Shipyard in Croatia between 1999 and 2003, following privatisation. The management of the shipyard were reported to have held a series of detailed consultations with various stakeholders - the supervisory board, individual employees, trade unions, suppliers, subcontractors, financial institutions, representatives of local and county councils, and some small consultancy firms. The case is viewed by Broughton as an excellent example in creating a sustainable new business and retaining experienced workers and managers - arguably achieved through extensive consultation and partnership working.

2.5 Transition time

- 2.5.1 The time available for transition out of their existing employment is crucial. To a large extent the time available is influenced by:
- national legislative provisions, particularly those covering consultation periods - that is, we may assume the minimum time during which restructuring support may be offered is the statutory consultation period;
 - redundancy pay and unemployment benefits - the amount, period over which, and terms under which employees participating in restructuring support schemes may receive financial support.
- 2.5.2 These are normally set out in legislation, although in some countries modifications may be negotiated at local level. Many of the best practice case studies involve options for moderate to long-term transitions (six to 12 months), during which the employees remain at their place of work (or at an

alternate centre) on full/near full salary while they develop and implement their transition strategy.

2.5.3 There is a view that an over-long transition time can act as a disincentive to securing new employment, particularly where the transition is at near/full pay, and the alternative would be short-term/short-time working. (This criticism is sometimes raised at the Siemens transfer company in the Appendix, which lasts two years). Nonetheless, redeployment rates are high, at around 75%-80%.

2.5.4 It is uncommon in the UK for employers to extend the consultation period (of 30 or 90 days depending on the scale of redundancies), and workers are often asked to leave at the end of the consultation period (no notice period). This has implications for the time available to enable workers to adjust, plan and make alternative provisions. Often reasons of security are cited by employers (intellectual property for example), although cost may well be an important consideration. Solutions such as establishing a resource centre off-site would resolve security issues; and indeed are suggested to have additional benefits for the employee in that they promote a feeling of having “moved on” from the old work place [see Cedefop p83].

2.6 Support for employees

2.6.1 For employees, the most effective processes for assisting displaced workers include the following:

- An action plan that specifies goals and barriers to achieving these at an early stage;
- Support to understand their skills and experience, possibly through the production of a CV, but certainly clear articulation of transferable skills and the production of a document for use with potential employers;
- Aptitude and attainment assessments; and exploiting social and business networks – to develop a clear understanding of aptitudes and opportunities;

- Support to improve and refine job-search skills; covering the full range of job application processes including preparation for selection interviews;
- Developing, implementing and actively managing an individualised programme of support. This would draw on a range of resources and tools available locally, such as work placements. It would also make best use of the available external resources, such as the public employment service (PES), recruitment sites (and employment in other EU states if that is an option) [Cedefop, p54].

2.6.2 As suggested in the final point, best practice suggests an element of individualisation. A number of studies emphasised the issue of differentiation of services [Cedefop 2010, p56; MIRE 2005, p35]. There has been a tendency to offer a broadly standard set of services to all employees, or possibly an enhanced level of service to more senior staff. There is an increasing awareness that at least some differentiation of services is likely to improve efficacy of the service provided. This fits with concepts of greater personal responsibility for career development, employability, and flexibility; as these each suggest ongoing “fine-tuning” of the individual’s career trajectory in response to personal preferences/requirements and the demands of the local market.

2.6.3 A recent study from the UK by the Chartered Institute of Personnel and Development (CIPD, 2009) has highlighted the financial, and reputational implications arising from corporate downsizing – one possible avenue to mitigate against significant damage to corporate reputation amongst large employers in Europe, is to offer outplacement support services, such as those offered by PACE. The report makes clear however that, just as with other forms of career development support at work, the level and intensity of support offered, is often related to the seniority of those being made redundant.

- 2.6.4 There is a variety of mechanisms for delivering services, broadly following the typology set out in Cedefop report [p51]:
- 2.6.5 **One-to-one support.** One-to-one support may be available to the workers affected by the restructuring to ensure that the solutions developed are client-centred. And/or it may be provided to the managers who are responsible for the staff who will be made redundant, thus ensuring that they are coached to manage the transition effectively. Where transfers are an option within the restructuring, it may be important to ensure that receiving managers are coached to recognise the transferable skills of “redundant” workers. There were examples of external agencies being brought in to support managers, and so enable them to better inform their staff.
- 2.6.6 **Group support** – cheaper than one-to-one services, and enables staff to share experiences, develop solidarity, and so on. Possibly the most common mechanism for delivering services, and would include activities such as career planning; workshops on specific topics such as self-employment and business start-up; and job-search skills.
- 2.6.7 **Resource centres** such as transfer companies, in Germany, or in offices set up for the purpose. The centres include a range of facilities and/or services for staff who have/are about to be redundant, including facilities for job-search research, office facilities and IT equipment. They may also provide individuals with informal help from advisers, as well as peer support from other centre users (for example, through job clubs). These centres are often on the employer’s premises. However, in some cases the employer prefers to remove the redundant workers from the site (to avoid friction between displaced workers and surviving workers, and hence impact on productivity in the enterprise); in such cases, an off-site centre provides a solution [MIRE 2005, p28].
- 2.6.8 **Job fairs.** Employers may have contacts that are not available to the public employment service (PES); indeed, may have multiple contacts in the industry relevant to the employees affected by the restructuring. For example, the Cedefop report found in the BenQ Mobile restructuring, the transfer company invited all metal and electronics companies in Bavaria to a series of job fairs. Many companies attended, some of which did not have operational bases in Germany. This contributed to over 90% of the displaced workers finding jobs. Anglesey Aluminium in the UK invited employers from a range of sectors to interview its workers facing redundancy, resulting in substantial re-employment [p77].
- 2.6.9 **Internships/work placements** provide people with the opportunity to gain experience of a new area of work. These are common with a new employer. However, they may be with the same employer as part of a (retrain and) transfer scheme. In some situations, placements are effectively a job trial, and if completed successfully, the person is offered employment. However, the motivational effect on the employee is typically regarded as its greatest benefit.
- 2.6.10 **Public access career advice services** – telephone and web-based resources are often available to supplement those available from employers and their partners. These are becoming increasingly sophisticated and may offer general information (including video resources), self-assessment tools, training materials, and job-search resources. Examples include Skills Development Scotland and the US site, Worker ReEmployment. The latter is a “one stop shop” website for employment, training and financial help for workers who have been laid off in the US sponsored by the Dept. of Labor. It links seamlessly with the more comprehensive CareerOneStop to access the full range of resources and tools for jobseekers, and links to State-level sites for further local information and resources [www.CareerOneStop.org].

2.7 Career guidance

- 2.7.1 The specific role of career guidance in socially responsible restructuring is not widely reported or evaluated in literature currently available. However, published case study evidence and guidelines from literature already published [cedefop, 2008, cedefop, 2010, Bysse, 2006, Muirhead, 2003] suggests the following:
- 2.7.2 Career guidance is more effective in restructuring situations where it is customised – i.e. to meet tailored needs:
- Career guidance support in restructuring may need to be improved/increased for vulnerable groups to reflect difficulty in labour market reintegration;
 - Career guidance works best when based on local and occupational information and in collaboration with other networks – e.g. other service suppliers.
- 2.7.3 These reports also suggest that effective career guidance in restructuring situations can enable individuals at risk, or whose jobs have been made redundant, to:
- come to terms with their situation, including emotional and practical issues;
 - consider their support needs, including the extent to which they have access to necessary information about available learning and work;
 - help individuals cope with the consequences of redundancy, including financial issues that arise, and their entitlement to state and other benefits;
 - assist individuals in coming to terms with the mental or other health consequences of job loss and dislocation (Kieselbach and Jeske, 2009).

2.8 Individuals and restructuring

- 2.8.1 The role of individuals in the restructuring process is increasingly emphasised. Individual jobs are now less secure; fewer people now have jobs for life; and fewer people will sustain a direct job/career trajectory. Given the move towards continuous restructuring, individuals will have to take a more active role in managing their career/employment. *Employability* is the slightly elusive term that is being used to capture the new way that people will have to work in the increasing flexible labour markets; it encompasses an increased emphasis on transferable skills and/or upskilling; marketability of skills and ability to increase long-term job prospects. There is therefore a growing policy emphasis on building individuals' own career management skills and supporting their lifelong transitions within the labour market and outside [Cedefop p46].
- 2.8.2 Some key groups of worker have been identified as being most at risk from redundancy – both in terms of the likelihood of being displaced and finding it difficult to secure alternative employment. These groups are older workers (aged 40 and above), with low qualifications, specific job experience, and long periods of service with same company. These employees are often women [Cedefop p47].
- 2.8.3 A key feature of differentiated support is to ensure that vulnerable workers receive appropriate and adequate services, to ease their transition into the workplace⁴. A range of measures can be adopted in this regard:
- Early intervention by companies, for example by identifying employees whose skill levels need raising to maintain their employability;
 - During transition additional measures to support vulnerable workers may be required, including, individual action plans, career planning and counselling, training and retraining, motivational support;

⁴ The case study on Siemens transfer company in the appendix illustrates this point

- Special attention should be given to longest-serving employees, as a combination of age, a lack of familiarity with job change and job search, and loss of confidence may compound the effects of reduced competitiveness in the labour market.

2.8.4 The Cedefop report notes that its case study review found support arrangements for vulnerable workers may need to be well-resourced, timely and often provided longer term, including after-care arrangements if they are to be effective. It also concluded that the success of outplacement depends heavily on the age, skills and overall employability of the employees, and this is only partly mediated by the help received [Cedefop 2010 p174].

2.9 Prevention measures

2.9.1 Before going further, it is worth considering best practice measures suggested relating to preventing redundancies. A range of such measures, designed to either prevent redundancies from happening, or mitigate their worst effects were identified [Cedefop, 2010, p33]. The need to ensure that such measures are economically feasible – and not simply propping up a failing venture – was stressed.

2.9.2 Prevention measures include:

- warning systems, beyond the advance notification procedures which are compulsory in certain states – these vary from country to country;
- training and development of human resources to create a flexible and transferable workforce, often including guidance-related support;
- investment in worker *employability*, with greater emphasis in training in skills that promote mobility; changes in work organisation to support job security.

2.9.3 Internal adjustment measures include:

- training courses, designed to improve the employability of staff, funded either by the employer or by the public sector;
- working time adjustments;
- leave schemes may be offered, but these are potentially difficult in some market cycles.

2.9.4 External adjustment measures include:

- Options relating to enterprise restructuring, for example by revising work roles of white- and blue-collar staff, so as to enable temporary and sub-contracted staff to be dismissed;
- Beyond this external intervention tends to comprise downsizing, outplacement and career development at work.

2.9.5 Notably, while still a feature of downsizing in some sectors, and particularly the public sector, early retirement is now less commonly used in Europe than a decade ago, usually due to differential costs, and in some cases legal restrictions⁵.

2.10 The special case of bankruptcy

2.10.2 Employees made redundant when their employer goes bankrupt may be affected very differently in the event of bankruptcy compared with other forms of restructuring. Differences often relate to the extent of consultation between the company management and employee representatives, the provision of company support for workers and the implementation of a social plan.

2.10.3 Support from government in most countries includes measures to guarantee the payment of any claims that workers have against their employers and to ensure that their pension entitlement is not affected. The claims of

⁵ Active labour market policies are restricting early retirement schemes or making them less generous, as in Germany and France. Germany has also recently introduced legislation to restrict early retirements

workers are sometimes accorded higher status than creditors (for example in Sweden), but in some countries, workers claims have lower status than other creditors. Moreover, the payment of claims may be significantly delayed.

- 2.10.4 The involvement of social partners in bankruptcy proceedings varies. In most cases they do not play a major role. Nonetheless in a number of countries, trades unions provide support and information to their members – sometimes in cooperation with public bodies – to help members cope with unemployment. [Eurofound 2009, p12].
- 2.10.5 Critically, in the UK there is no legal distinction between collective redundancies that occur as a result of bankruptcies and other forms of restructuring: consultation with the workforce is still required, and employees are entitled to the same financial compensation as employees who lose their jobs elsewhere [Eurofound 2009, p36]. However, support measures of the types discussed above may be difficult to implement once a company is insolvent.

2.11 Flexicurity

- 2.11.7 Over recent years, a new strategic approach has been developed that seeks to respond to the challenges posed by continuously restructuring labour markets and the pressure to deliver more and better jobs: **flexicurity**. This is an integrated strategy for enhancing *flexibility* and *security* in the labour market. It attempts to reconcile employers' need for a flexible workforce with workers' need for security – confidence that they will not face long periods of unemployment.
- 2.11.8 It is appreciated that the variations in national frameworks would make the specification of a single flexicurity model impossible. Instead, the EU has worked with national governments, social partners and academics to identify a set of common flexicurity principles which can be implemented within the context of national and regional structures. The

principles are concerned with reducing segmentation in the labour market, the need for a climate of trust with the social partners, and the search for a balance between the rights and responsibilities of employers, workers and jobseekers and the authorities. At a practical level, these cover four broad areas:

- more flexible and secure contractual arrangements (from the point of view of both employer and employee);
- lifelong learning strategies in order to ensure workers ongoing capacity to adapt and increase their employability;
- effective active labour market policies in order to facilitate transitions to new jobs;
- modern social security systems providing adequate income support during transitions [Council of the EU 2008, p3].

- 2.11.9 The recent report of the Mission on Flexicurity [Dec 2008] commented specifically on flexicurity measures designed to support restructuring (anticipating and adapting to labour market).
- 2.11.10 First, it noted a number of flexicurity measures relating to developing the adaptability of companies while increasing the *employability* of employees. The Mission found that the adaptability of companies may be enhanced by means of flexible working hours; and increased flexibility in relation to the type of tasks, the forms of work organisation and employees' skills. For example:
- 2.11.11 In **France**, a system for “forward-looking labour force and skills management” has been introduced in companies with over 300 employees. Review of business strategy and future job and skill requirements is designed to enable improved human resource allocation and the identification of vocational training tools.
- 2.11.12 In **Spain**, improving vocational training systems is a key objective. Since a tripartite agreement on training and employment was enshrined in law in 2007, employees are

entitled to individual training leave, while companies may receive financial aid to support their training requirements.

- 2.11.13 Second, the flexicurity approach facilitates transitions between jobs and anticipates departures from the labour market in the case of economic restructuring. The following outlines some key examples of this.
- 2.11.14 Since 2005, following a tripartite dialogue, **Finland** has developed what it calls a “change security model” to support the retraining of employees made redundant for economic reasons. They are able to take leave during the period of notice in order to look for a job, and have access to higher redundancy allowances and a specific training and job seeking programme introduced by the PES. Such programmes have already received financial support from the European Globalisation Adjustment Fund (AGF), European Social Fund (ESF) and European Regional Development Fund (ERDF).
- 2.11.15 In **Sweden**, “transition agreements” sharing the same objective are introduced by branch and managed by the social partners. They cover 2 million employees and aim to facilitate the placement of employees in the event of restructuring.
- 2.11.16 Two other key points emerged from the report. First, it notes that a high degree of trust between the social partners is necessary, particularly in the current context, to maintain the objectives of keeping a balance between flexibility and security and modernising the labour market. A wide-ranging dialogue between all national players (social partners, governments, economic and administrative players, etc.) is essential in designing and introducing such reforms.
- 2.11.17 And second, if the initiative is to successfully devise training that anticipates market requirements, then a clear and up-to-date analysis of the skill requirements in the labour market is required. This will comprise monitoring of recent labour market trends and of restructuring at sectoral level, and an ongoing and in-depth dialogue between the economic

players, the social partners and other public- and private-sector players concerned: local authorities, public and private employment services, and education and lifelong learning stakeholders, to ensure that the interpretation can be incisive and forward looking.

2.12 Flexicurity and short-term working

- 2.12.1 A recent European Restructuring Quarterly (ERM) report by Eurofound [Eurofound 2010] has considered a specific recession feature within the flexicurity approach. In the face of recession, falling demand and the consequent slowing of production, short-time working and temporary layoff schemes have been extended (or introduced) in many European Member States. These schemes, often with the aid of public funds, reduce working time, while protecting workers’ incomes and company solvency. Ideally, the time spent not working is used for training.
- 2.12.2 The report found that working time reduction was particularly prevalent in Germany, Belgium, Italy, France, the UK and Sweden; with working time cut by between 10% and 100%. This contrasts with Portugal and Spain where most of the net adjustment was due to job losses. Workers in manufacturing and with low levels of education, in blue-collar occupations are more likely to be affected by short-time working; again, however, there is some variation between Member States.
- 2.12.3 Notably, people tend to support the idea that training should be provided to workers on short-time working – and in some schemes training is mandatory. Despite this, the uptake is limited and there are concerns about the quality of training. Problems encountered include lack of motivation among some workers; limited training experience in some firms; limited capacity for training in some firms, particularly in small and medium-sized enterprises (SMEs); and a fragmented training infrastructure in some countries. The uncertainty regarding when the employee may have to

return to work, possibly at short notice, makes the planning of training difficult. However, to encourage uptake, some schemes pay more income compensation when the worker participates in training.

- 2.12.4 Notably, the report recommended ensuring support is directed to firms in temporary difficulties and that have a viable economic future; and that support itself is temporary. This would serve to mitigate against “accusations” that measures prop up ultimately unprofitable firms.
- 2.12.5 The report concludes that short-time working schemes do provide numerical flexibility for the employer together with job and income security for the employee; in addition, they do comply with many of the ‘common principles of flexicurity’ outlined by the European social partners. However, the lack of training (that is offered/taken up in practice) hinders these schemes in addressing the challenges of modern labour markets and achieving closer integration with the goals of the European Employment Strategy. It suggests that training should not just be firm-specific but also include more general skills, and that there may be a continuing role for the schemes once the current crisis is resolved.

2.13 Health

- 2.13.1 In a study for MIRE (Monitoring Innovation Restructuring in Europe) Kieselbach [2009, p7] notes that restructuring, and in particular the repeated restructurings that have institutionalised within contemporary economies, have the potential for adverse health effects on workers. These effects fall under two headings – those affecting workers who are displaced by the restructuring and those affecting workers who remain with the enterprise.
- 2.13.2 *Redundant worker effects include:*
- Mental health problems (manifest physical symptoms, depression, dissatisfaction with present situation, anxiety, hopelessness, helplessness, low self-esteem);
 - Increased visits to GPs and medical care services are noted;
 - Social isolation, loneliness, disorganised sleep and meal times;
 - Deterioration in healthy behaviours: for example, an increasing tendency to smoke, to consume alcohol, and a lack of physical exercise. These behaviours can have implications for the long-term health of the individual.
- 2.13.3 Notably, the change in behaviour, the health status and the mental problems may compound the individual’s situation further. They may find it more difficult to reintegrate into the job market, particularly if the unemployment itself led to ill health. In general, unemployment tends to have a negative effect on people’s health [MIRE 2009, p8].
- 2.13.4 *‘Survivor’ effects include:*
- Musculoskeletal problems where people have moved to a modified job, particularly in the case of an increased physical workload;
 - Increased stress resulting from reduction in job security;
 - Increased stress resulting from feelings of anger, anxiety, guilt; and from increased work stress, lack of job satisfaction, and decreased organisational commitment.
- 2.13.5 The personal and social consequences of stress and the sense of increased job insecurity following a restructuring (including dismissals) may result in feelings of guilt, lack of engagement, and anxiety amongst the remaining workforce. This is often described as “**survivor sickness**” and may have a significant effect on productivity in the workplace [MIRE 2009, p9].
- 2.13.6 Kieselbach identifies a small number of organisations that have developed a variety of health promotion initiatives as part of restructuring activities. Typically the organisations concerned were motivated to invest in such initiatives because they had to address problems encountered during the restructuring (the most common reason), or because

they had gained greater insight into the costs of ill-health following previous restructurings. The approaches undertaken varied from basic information provision (behaviour in relation to nutrition, sport, sleep, addiction), through to measures designed to change or influence employee behaviour through counselling and access to medical advice (improve employees' management of situations and coping skills, to improve their labour market participation). Clearly the first approach is the easier to implement; the second is likely to be more resource heavy and require external support [MIRE 2009, p33].

- 2.13.7 The study [pp34-36] also explored barriers to implementing health initiatives as part of restructuring. The principle issue was simply that health issues, both of displaced and retained workers were not considered by the employers, suggesting that a greater understanding of the potential benefits to employees of the health impacts of the restructuring process may need to be developed.
- 2.13.8 It was noted that SMEs were particularly unlikely to implement health initiatives – these companies generally had less access to specialist expertise (they are unlikely to employ medical/occupational health staff for example), and have fewer resources to support restructuring activities. However, Kieselbach notes that some of the measures explored in the case studies would be feasible for even SMEs (such as Health Days, health insurance agencies etc.). Others, such as, provision of internal staff to advise on bullying, general health issues etc. may remain the preserve of larger firms [MIRE 2009, p33].

2.14 Support for business growth during restructuring

- 2.14.1 One specialised type of support that may be available for people affected by restructuring is new business support. Such initiatives potentially have a threefold benefit: they provide a positive solution for some displaced employees; they provide positive benefits to the company in terms

of image and possibly trading partners; and they provide positive benefits to the local community in terms of business start-ups and potential new employment opportunities. The Eurofound report on support measures for business creation following restructuring identifies three basic types of support for business creation:

- *Management buy-out/Employee buy-out (MBO/EBO) support* In this context, MBOs or EBOs take place when restructured workers become owners of the enterprise that was earmarked for closure, or of parts of the business (spin-offs);
- *A completely new enterprise set-up by displaced employees:* this may be in similar or completely different sectors/activities from those they had been involved in previously;
- *New start-ups by people not directly affected by the restructuring process.* These new start-ups, combined with other reindustrialisation tools (such as attracting new and/or existing enterprises to the area), are used to generate new employment opportunities for personnel affected by restructuring [Eurofound 2006, p11].

- 2.14.2 The study stresses the need for good advice across a range of areas if the business is to be a success. However, in addition to good grounding in business skills (entrepreneurship, business planning, finance, etc.) which apply across the board; the study notes a slightly different emphasis on requirements between new starts and transferred/buy-out enterprises.

- 2.14.3 Assistance for start-ups would include:
- development and screening of business ideas;
 - advice regarding the start-up phase (such as feasibility studies, and legal status);
 - start-up finance;
 - incubators, search for premises;
 - competence development for basic business skills;
 - introduction to potential clients/customers.

2.14.4 Assistance for transfers would include:

- ownership transition assistance;
- growth finance;
- raising business skills;
- continuous competence development of workforce;
- technology transfer;
- development of export potential;
- use of internationally acceptable management system standards;
- development of consistent human resource policies;
- assurance of contracts [Eurofound 2006, p13].

2.14.5 It is worth being aware of the limiting factors of these initiatives from the outset. They tend to attract a relatively small number of participants (between 1% and 10% of the restructured workforce⁶). Second, support initiatives related to enterprise creation tend to be more expensive than other active support measures – they tend to be long running (six-12 months), require a considerable amount of individualised support and training, benefit from access to physical resources such as office premises during the set-up phase, and in some cases draw on grant/venture funding. This is likely to be a significant drawback in times of public budgetary restrictions. Finally, “necessity-based entrepreneurs” (most workers affected by restructuring fall into this category) have, in aggregate terms, lower effects on the economy than opportunity-driven entrepreneurs. This is both in terms of lower survival rates and employment creation⁷ [Eurofound 2006, p13].

⁶ With the exception of MBOs, which can affect a much larger percentage of workers

⁷ The report notes that Reynolds, P.D., Bygrave, W.D. and Autio, E., Global entrepreneurship monitor 2002, Executive report, Babson College, Massachusetts, 2003 as providing evidence from several authors in this regard

3. CONCLUSIONS

3.1 Introduction

3.1.1 Restructuring is clearly now regarded as a continuous process. The EU views this very positively; having experienced significant net growth in jobs over the last decade across Europe. Nonetheless (and even putting the recession aside for the moment...) within the dynamic restructuring scenario, substantial numbers of redundancies are occurring within declining sectors and around types of services that are affected by globalisation and technological change. The impacts on employers and workers in these areas, as well as the communities in which they are located, can be significant. In this context, there is an increasing awareness and support for socially responsible restructuring, which considers the interests of all parties in the process: employees, employers and the wider community. However, it was recognised that, given the variety of national legislative and structural frameworks, as well as economic circumstances, no single practice model could be specified. Instead, a number of factors were identified from the studies as enabling effective outcomes. Themes were drawn out as they affected both businesses and individuals.

3.2 Institutional issues

3.2.1 The literature clearly suggests that packages of advice and support are required to enable employees to transition out of restructured businesses and into new employment. Some of these services will have to be tailored to meet the needs of individual employees, and some will have to be designed to ensure the special needs of vulnerable workers are addressed.

3.2.2 Robust labour market information and networks provide an invaluable resource for these support activities. Analysis of market information reveals where employment demand is likely to come from, so that retraining efforts can be appropriately targeted; it will indicate where (in terms of sector and geography) current employment opportunities exist so that job search can be targeted, will provide a context for job search, and possibly retraining; and may support the development of new business proposals. It is suggested in the literature that employers, as well as industry/professional bodies and trades unions, have access to relevant and potentially sizable networks of contacts, which could supplement the resources available through the PES and other government agencies.

3.2.3 Two key barriers were identified. First, it was noted that the support may not be available to displaced workers for long enough. It was suggested that longer lead times can be beneficial in offering opportunities to review employment/career options, consider (and undertake) retraining, secure alternative employment, develop business opportunities, and so on. The time available tends to be influenced by the length of time an employee will remain in the workplace before they are made redundant (in many cases, this will be the statutory consultation period; in the UK is either 30 or 90 days), and the financial support available (redundancy pay and unemployment benefits – the amounts and length of time over which these will be paid vary).

3.2.4 Second, it was noted that many employers have only limited resources to support redundant workers – both in financial terms and, possibly, also in terms of skills and experience. Partnership working can play a key role in enabling enterprises to access a range of additional resources to enhance the support services available to their employees.

3.3 Support for displaced workers

- 3.3.1 A wide range of activities to support workers to move on to new employment were identified. These included activities such as action-planning, support for understanding skills and experience, aptitude assessment, and provision of individualised support programmes.
- 3.3.2 A very clear message that underpinned these various options was that service provision should appreciate that redundant workers are not homogenous. While a “standard” package of measures can be offered, effective service delivery at the level of the individual should be flexible so that each worker receives a suitable type, mix and level of service for their needs. Where possible, the service package should have elements that are individualised, and intermittently reviewed to ensure that the services are appropriate and remain so.
- 3.3.3 Critically, services that address the needs of workers most vulnerable to effects of redundancy – older workers, less skilled workers, workers in certain industries, workers who have been with same employer for a long time, etc. – have to be delivered. A significant element of these services will need to be individualised to ensure the package reflects personal requirements; with intermittent review and revision [Cedefop p78].
- 3.3.4 The concept of “employability” was introduced. This means that increasingly employees have to adapt or (be willing to) be more flexible within their employment and their career trajectory – people rarely now have a “job for life” or possibly even a single type of job throughout their life. This might require learning new skills and developing new sector knowledge; in some cases this may mean learning new skills simply to function effectively in the new environment (how to fill out an on-line job application for example). Workers facing redundancy, especially older people and people who

have been in their current job for a long time, may find this concept more challenging. However, effective transition support should enable displaced workers to become more flexible within the labour force.

3.4 Prevention

- 3.4.1 Critically, measures to prevent redundancies occurring or to minimise the number of job losses during restructuring, were identified as a best practice response. Such measures include training and retraining, to facilitate re-deployment within the company and greater flexibility within the workforce; measures to reduce working hours (such as bringing leave forward, career breaks, and short-time working); and reductions in staffing levels (for example by termination of temporary contracts, and early retirement). However it was stressed that such measures should be adopted only **when economically feasible**, and should not be used to support un-economic enterprises.

3.5 Flexicurity

- 3.5.1 A number of countries are considering the extent to which the Flexicurity approach can address the challenges posed by continuously restructuring labour markets. This is an integrated strategy of a flexible workforce (that is, a workforce that is easy to restructure) combined with security for the workers (in terms of access to employment opportunities and benefit support in the meantime). For flexicurity to be successful, workers and employers have to feel secure that they will be rewarded for being more flexible in their approach to the workplace: workers in terms of security of employment (if not secure jobs); employers in terms of profitable business propositions.

3.6 Health effects

3.6.1 The analysis suggests that there are health implications from restructuring for both retained and redundant workers: in terms of stress and physical impacts of taking on new roles for retained workers; and personal and community (local and regional/national) health and consequent economic and social implications for redundant workers. A small number of organisations are starting to recognise these implications, and have developed a number of health promotion initiatives as part of their restructuring activities.

3.7 Business growth

3.7.1 Finally, the literature explored support for business growth out of redundancy: management/employee buyouts, new businesses established by redundant workers, and business growth opportunities offered by the closing business (that then provide employment opportunities for the displaced workers). While none of these is likely to affect a substantial number of staff in any one institution, the levels of support and, in some cases financial assistance, can be reasonably substantial, if the initiatives are to be successful. For example, in the case of new business ventures by existing employees, careful screening phases are required, to ensure those with business ideas are identified, and those coming forward are given ample support to think through the implications of their potential venture; and ideally continue until the business plan is implemented.

4. IMPLICATIONS AND RECOMMENDATIONS FOR PACE

- 4.1 The full panoply of global literature written on company restructures, together with policy outlines and available support for outgoing workers is impossible to cover in one single report. However, the research covered above gives an effective summary of what might constitute best practice and what is currently available. The key issue in the context of this report, is what lessons can be learned from the above for PACE.
- 4.2 As has been shown to some extent and as will be shown in the Case Studies section, specific, dedicated and publicly funded support services for workers who have been made redundant do not seem all that common. Whilst a wide range of private sector Human Resources firms offer outgoing support and training, an initiative like PACE seems quite rare. Indeed, where other services have traditionally existed, such as the case of ReACT in Wales, these now seem to be under some considerable threat as austerity measures dominate government agendas, and at a time when they are arguably most important.
- 4.3 The review highlights that the key driver for companies undergoing restructure is to facilitate ‘assisted leaving’ above and beyond measures to create job security. The bulk of literature focuses on two specific issues: how to facilitate a transition back into work and how to ensure employees’ (outgoing and ‘surviving’) emotional needs are met, due to the stressfulness of the situation.
- 4.4 This section of the report attempts to draw together the key issues arising from the review and the implications these have on PACE as the initiative seeks to ensure it meets the needs of clients as effectively as possible.
- ### 4.5 Restructuring is a continuous process
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- 4.5.1 The review – and indeed any market and economic awareness – dictates that company restructure is a continuous process. Company merger and acquisition, together with evolving business and production processes in increasingly saturated and expensive markets, dictate that ‘efficiency measures’ will also continue to evolve and increase in necessity.
- 4.5.2 The result of all this is that staff reductions will continue across all sectors in Scotland, albeit for a variety of reasons. Inevitable increases in competition across the jobs market, means that outgoing employee support is arguably more important than ever.
- 4.5.3 In whatever incarnation these services are provided, it is essential that those undergoing restructure specifically demonstrate an effective balance between passive and active measures. Severance payments for example are very important for outgoing staff to enable them to deal with the immediate pressures of losing their jobs. These however, can often lead to a rather short-term view rather than to help employees engage with longer-term career planning. As such, active measures should be engaged to cushion the impacts of redundancy, encourage entrepreneurship and help ease the transition back into employment.
- 4.5.4 Further, ‘socially sensitive restructuring’ has little potential immediate relevance to PACE in the context of its current offering. There could be an argument however which says that PACE could or should be getting involved with companies when at the genesis of the restructuring process. It is important for PACE to have access to employees at as early a stage as possible. This does not however mean that PACE should play a role in prevention or early intervention issues.

- 4.5.5 The literature shows to some extent, that there is value in the provision of some form of 'assisted leaving'. Indeed, PACE has the potential to model a pioneering example of how to support redundant workers and companies facing restructure and insolvency. A policy concern is whether or not it should be made compulsory for companies to offer services like this, which extends assisted leaving beyond a standard financial pay-off.

4.6 The need for partnership working

- 4.6.1 The need for partnership working during company restructure has been highlighted through the report by Broughton (2009). This presents an opportunity for PACE as the evidence is that partnership working – borrowing on the expertise of others – ensures the most effective transition for companies and outgoing staff.
- 4.6.2 This also has significant implications for PACE – a partnership in itself. The key issue is to ensure that partnerships involved in the process are complementary and not competitive. When thinking about the PACE partnership itself, there is significant benefit in utilising the services of HMRC to ensure individuals are clear on what financial support is available to them, together with using Job Centre Plus to ensure that relevant forms are filled out, as well as being introduced to some employment opportunities. The services of a careers adviser are of potentially huge value to ensure individuals can engage with the focus of getting back into work or exploiting other possible opportunities, such as self-employment.
- 4.6.3 One of the things highlighted by some of the case studies, would be consideration of what other possible partnerships there may be in each specific circumstance – for example, are there any other key stakeholders within the sector whose expertise may be of some benefit? Furthermore, within certain sectors and skill sets, there may be opportunity to seek advice and support from local authorities or community groups.

4.7 The need for employee support

- 4.7.1 The need for some level of employee support cannot be overemphasised – and the research would suggest that this extends not only to those most at risk of losing their jobs, but also to 'survivors'. As has been shown, company restructuring is a 'continuous process' and, as such, it might be inevitable for some for the issue to be revisited down the line.
- 4.7.2 The research would suggest that in the context of employee support, there are a certain number of principles which should be considered:
- Support should meet a balance of practical and emotional support needs;
 - It should, where possible, be tailored to the individuals' needs, circumstances and goals – financial and career-wise;
 - Support should consider contextual information; e.g. local and community issues, individuals' personal circumstances, movements within the sector.
- 4.7.3 The need for tailored support is further strengthened upon consideration of the myriad of possible circumstances under which individuals leave companies. For some, a redundancy pay out will be substantial and their personal financial circumstances may also be healthy. In these circumstances, individuals are likely to have more possible options for action – e.g. further training, self employment, company establishment. On the other hand, less skilled employees with lower levels of experience and insolvency pay, will inevitably have more pressing immediate concerns, such as simply making ends meet. For these individuals further training etc. will inevitably be of less importance to re-employment.

4.8 The need for impartiality

- 4.8.1 A possible implication from the literature is that often – especially in the context of larger companies’ restructuring – private sector HR and redundancy management groups are invited in to provide support. Often, in addition to providing support for outgoing employees, these are done to manage external PR damage done to the companies. One of the potential hazards of this approach, is that the principal focus of private sector firms is the company employing their services – on the other hand, a publicly funded agency can be arguably more impartial and thus, focus more heavily on employees rather than employers.
- 4.8.2 This could be considered a key strength of PACE compared with other private sector companies. Whilst the expertise and experiences of each will inevitably have their own specific merits, there is arguably a need to ensure some element of impartiality from the client firm.

4.9 Health and Wellbeing

- 4.9.1 The evidence suggests that – upon redundancy – there is often a propensity to deterioration in healthy behaviour, but there does not appear to be work exploring the relationship to redeployment, which would suggest the need for some form of further investigation. Nevertheless, it appears that there is a strong link between individual job losses and health, suggesting the need for support for outgoing employees with respect to mental health and health related to diet and consumption. However, it is not clear how individuals would respond to this sort of support being offered.
- 4.9.2 There can be little question that the research and literature affirm the need for the existence of a support service such as PACE – in fact the strengths of PACE as a support service are affirmed in the most recent Cedefop report which is referenced throughout this report. Indeed however, there is some scope for improvement/development of the current service offering.

5. CASE STUDIES

This appendix contains summaries of a selection of the case studies available in the literature. They have been selected on the basis of providing a variety of good practice measures and initiatives from a range of international perspectives.

5.1 US Rapid Response Services for laid-off workers [Dept. of Labor website]

5.1.1 Description

The Rapid Response Team is a service that customises services and resources to meet the needs of companies where individuals are facing redundancy; with the aim of getting people back into work as soon as possible.

- The Rapid Response is implemented when the state Dislocated Worker Unit or Rapid Response team learns of impending lay-offs. This happens in a number of ways:
 - Companies may inform them directly;
 - Companies may be obliged to notify the authorities of impending lay-offs under the Worker Adjustment and Retraining (WARN) Act (broadly when lay-offs account for 50 or more workers at a single site or where 50 is at least one-third of the total full-time workforce at that site, or any lay-offs of 500 or more workers at a single site);
 - When the Rapid Response Team becomes aware of the lay-off through a media announcement;
 - When an employee of a restructuring firm contacts them (direct calls from staff in restructuring firms that have not called in the team are encouraged).

5.1.2 Services

- The Rapid Response team comprises specialists who provide transition support, both in individual and group settings. Services include:
 - Career counselling and job search assistance;
 - Resume (CV) preparation and interviewing skills workshops;
 - Local labour market facts and figures;
 - Unemployment insurance advice
 - Education and training opportunities;
 - Health benefits and pensions advice.

Additional local services and benefits vary, but may include use of office equipment for job search; financial planning and stress management workshops; financial support for training; income support if the job was lost due to foreign trade (Trade Adjustment Assistance); and special services for veterans and adults with disabilities.

5.1.3 Connections to other re-employment services

Critically, Rapid Response works in partnership with key organisations nationally and locally, to enable laid-off workers to access additional resources. Site meetings and the service website are key points of contact. The most important of these Rapid Response partners is the “One-Stop Career Center”. The One-Stop system brings together a number of partners providing a wide array of services, from resume preparation to job search to placement to supportive services, for anyone who wishes to have access to them. Every state has a One-Stop network that is open to all residents, including those who have been laid off or expect to be laid off from their jobs. Within the site, there is a dedicated area offering services to laid-off workers – Worker ReEmployment.

5.1.4 Lessons for PACE

This service is an example of a rapid response approach that is linked into key networks. Workers can access services via their employers or as individuals. Critically, workers can access services before they become redundant, as the service is fully integrated with the career service and employment service. They are therefore able to both actively manage their career and start planning early if they have concerns about the security of their employment situation.

5.2 ReAct, UK [Cedefop 2010, pp156-159; NAG 2011, p6]

The Welsh Assembly Government (WAG) has developed two schemes for responding to restructuring. First, ProAct (now ProAct – Skills Growth Wales) helps businesses to retain skilled staff who might otherwise be made redundant. It provides support to meet training costs and wage subsidy for employees during training.

The second and complementary programme, Redundancy Action Scheme (ReAct) (to be relaunched as ReAct II at April 1st 2011), is considered here. ReAct is designed to deliver a rapid response to mitigate the effects of redundancies, delivering services to both employees and employers. Funding is from European Social Fund (ESF) and the WAG.

5.2.1 Description

The programme offers financial support to:

- assist individuals through four main funding streams: a discretionary grant covering 100% of the costs of individual vocational training requirements up to a maximum of £ 2,500;

- an extra support award, up to £1,000, to assist with costs associated with training, such as travel, accommodation, childcare and books;
- the employer recruitment subsidy, up to £2,080, is paid directly to employers as a contribution towards wage costs.

The employer training subsidy covers up to 70% of the costs of a new recruit's job-related training, up to a maximum of £1,000, paid directly to employers⁸.

There is a range of ways that ReAct can get to hear of redundancies in enterprises: Collective redundancies will be notified by the employer to the Secretary of State who will pass the necessary information to Jobcentre Plus in Wales.

For non-notifiable situations, information is mostly gained through regular contact with employers (through Business Connect, Careers Wales employer liaison officers and Department of Economy and Transport relationship managers).

Services provided include:

- Awareness training;
- Meeting with employers;
- Presentations to affected employees;
- Individual skills assessments and job-focused training, if not available through any other source.

As well as accessing services face-to-face, individuals are able to use the Careers Wales help-line and website, and can access training provision through an extensive database of courses.

⁸ Notably, the emphasis of this support will shift under ReAct II "from training aimed at updating the skills of redundant workers to an enhanced support structure to encourage more companies to take on more people who have been made redundant and create jobs". As a consequence, among other changes the employer recruitment subsidy will increase to £3,000, while the maximum discretionary grant for vocational training available to individuals will decrease to £1,500. [National Assembly Government, 2011, p6]

5.2.2 Impact and effects

ReAct, evaluation data suggest that just 15% of respondents to the follow-up survey had not found work or full-time education six months after completion of ReAct training. Satisfaction with the service is high, 69% of the respondents felt the training helped them get a job, and 78% felt that it had made quite a lot of difference. Specific areas in which it was believed being involved with ReAct had made a difference included gaining a qualification (68%); added value to a CV (74%) and increased individual confidence (53%).

5.2.3 Lessons for PACE

This is a good example of a rapid response approach that effects co-ordinated service delivery. The service appears to rely heavily on a funding approach, which – although highly effective – may be under threat in times of austerity.

5.3 Swedbank, Sweden

[MIRE, 2005, pp29-31, EMCC Case Studies, 2006, Managing large-scale restructuring: Swedish Postal Services]

5.3.1 Description

Swedbank was the first firm to adopt this model approaching substantial redundancies. Following the merger, some 3,000 jobs were to be lost from a workforce of 14,000 (it was also expected that around 800 new posts would be created in new areas, to balance out workforce imbalances). To enable the company to effect some control over the standard first-in-first-out requirement in Swedish redundancies, the solution adopted was to make dismissal an individual choice.

5.3.2 Process

After negotiations with social partners, the bank offered **all** employees the option to voluntarily leave their jobs. Those who left could be re-hired if the company was hiring again within a year. Clear information was issued about the

incentives offered to those leaving, which included:

- severance pay for six months;
- individual counselling;
- job-search training;
- medical examination;
- networking meetings;
- European IT-drivers licence in order to upgrade the individuals IT-skills;
- opportunities to get bank loans for those who wanted to start a new business;
- those born 1941 or earlier were offered a voluntary early retirement program.

The bank was also clear that those who stayed should be realistic about the future labour market and the future development of the bank: accepting the new business logic, with customer focus, using new technology and developing new services and products.

5.3.3 Impacts and effects

The aim was that around 1,000 employees would leave; in total 1,373 did so. The outcome of the program was regarded as successful. Only a few of the 1,373 workers leaving the organisation were reported going to open unemployment. There were a few criticisms: in particular, there were estimates that around 5% were employees who would have preferred to stay.

Several employers tried to imitate this “new” model in their workforce adjustment programs, most notably the workforce reduction program of the Swedish national postal service – Posten Futurum – a major restructuring program in Sweden.

The Postal service has reduced their workforce by 4,000 people avoiding traditional redundancy procedures, by using the Swedbank model. It made one critical adjustment: clear-cut selection criteria for those who were given the offer

was set up, rather than the leaving offer being made to all employees. This gave the employer control over the site, age and skill level of those who left the company.

5.3.4 Lessons for PACE

This approach exemplifies active management of large-scale restructuring to assist employees to transition effectively to new employment/careers. While it is unlikely that any single firm in Scotland will face redundancies on a similar scale, substantial restructuring does face UK companies with Scottish bases, and significant restructuring within the public sector is ongoing. The potential to deliver/co-ordinate services across local authorities (for example) could be explored.

5.4 Siemens beE, Germany [Cedefop 2010, pp124-129]

5.4.1 Description

Siemens is one of the biggest private employers in Germany. It was the first industrial company to establish an internal transfer company (Siemens beE) in 2002. This now has 90 employees and further external job consultants. The beE staff consists of HR specialists, psychologists, pedagogues and lawyers.

Since 2002, the beE transfer company has dealt with around 6,500 former Siemens employees. In most cases, participation in the beE is voluntary. Employees asked to enter a transfer company may change places with an employee who was not laid off, if they have transferable skills, where that is acceptable to both parties.

5.4.2 Services

Within Siemens beE, the transfer company typically lasts two years. A wide range of services are offered:

- Unemployment benefits are paid by the state for a year, the employer continues payments at this level for another 12 months;
- Career guidance and counselling is provided by a personal consultant;
- The transfer company premises provide access to internet, telephone, scanners, etc; and an internal library with literature about job application documents and relevant technical literature;
- Job search workshops;
- Intensive support is provided to special target groups, such as part-time workers and older employees;
- Counselling and training on business start-ups and on developing business plans is provided;
- Opportunities to do a full-time qualification are available;
- Internal job centre is a major feature of Siemens beE;
- Job fairs – two or three per year.

Notably, participants who leave for employment may return to the centre if this fails within four months.

Siemens beE cooperates with external partners to a limited extent. In particular:

- Private educational institutions provide training on business development and project management;
- Cooperation with the labour agency is effective.

5.4.3 Impact and effects

The overall re-employment rate of Siemens beE was 75%; in the telecommunication branch the rate was almost 80%. These figures comprise persons who found a new job or started their own business. Most employees leave the beE for permanent employment contracts.

It is noted that as transfer companies at Siemens last two years – an exception compared to other German transfer

companies (typically six months to a year) – the employees usually do not leave for a fixed-term and short duration contracts.

The most innovative aspect of Siemens beE is the internal job centre. HR experts match and place the beE candidates to job openings at other enterprises, they have sound knowledge of the mostly technical profiles of beE candidates. And the job centre has connections to over 5,500 enterprises on the German and international labour market.

5.4.4 Lessons for PACE

The Transfer Company provides a service that enables redundant workers to understand their options in the labour market and become new-job ready; provides an enhanced job centre; and new business support. To be effective, employees tend to need support for six-12 months. There are barriers to this model operating in Scotland, in terms of the amount of time that most workers would be supported by their employers and benefits regulations.

5.5 Bankruptcy summaries [From Eurofound 2009]

5.5.1 Denmark

5.5.2 Position of employees

The law specifying the requirements for notification in the case of restructuring involving collective redundancies is not applicable in the event of bankruptcy. It is up to the company to decide the procedure to follow and no typical behaviour is therefore apparent. However, there are examples of companies trying to keep their workers informed throughout the process. It is not common practice for the companies concerned to provide support for workers in the form of advice and guidance or practical assistance to find new jobs. Workers being dismissed as part of collective redundancy

can negotiate a resignation agreement. This is not the case in the event of bankruptcies.

5.5.3 Government and social partner support for workers

In cases of bankruptcy, the Employees' Guarantee Fund (Lønmodtagernes garantifond, LG) ensures that workers receive the wages owed to them. The LG covers wages, pensions and holiday pay. The LG has first call on any assets the company has.

Workers who lose their jobs because of bankruptcy are entitled to payment during the notification period. They are entitled to the same redundancy payments as other workers. However, they must look for new employment straight away and lose their entitlement to pay if they find other employment. There can be serious delays in payments from the LG and trade unions can extend loans to their members in these cases.

In Denmark, pension funds are administered by the trade unions, and the employers transfer contributions to them every month. The workers affected by company bankruptcy cannot, therefore, lose their entitlement to a pension (pp16-17).

5.5.4 Germany

5.5.5 Position of employees

In general, filing for insolvency does not exempt employers or insolvency administrators from the regulations governing collective dismissals.

Workers are usually informed about the measures planned. Consultation on procedures and compensation for job losses is usually conducted with the works council. Some modifications are permitted: the criteria for selecting those to be made redundant to three variables: seniority, age and maintenance obligations. If the parties are unable to reach an accord, the administrator can call on the local labour court

to approve the planned changes without the consent of the works council.

Bankrupt companies are legally bound to satisfy the claims of workers affected by dismissals. In some cases, further support is provided to staff: this will be defined in the social plan negotiated by the insolvency administrator and the works council. However, payments to staff under these agreements are subject to limits and no more than one third of the assets available can be used to satisfy claims arising from the social plan.

5.5.6 Government and social partner support for workers

Insolvency benefits (*Insolvenzgeld*) protect workers from wage losses incurred when employed in a bankrupt company. Workers need to apply to their local employment office for insolvency benefit within two months. It covers 100% of their net wage and the employment office pays their statutory social contributions.

Workers have no general legal entitlement to redundancy compensation but are entitled to payments that have been agreed between the employer and employees.

Contributions to occupational pension schemes are usually paid to a third party, such as a pension fund, which subsequently distributes the pension payments to workers. In cases of insolvency, two main scenarios exist. In the first, a new investor takes over the bankrupt company. This investor is legally bound to cover the pension claims of the workers. In the second scenario, a company files for insolvency and is dissolved. In this case, company insurance takes effect. The Pension Protection Fund (Pensions-Sicherungs-Verein auf Gegenseitigkeit, [PSVaG](#)) accepts the costs of the outstanding occupational pensions accumulated by workers up until the insolvency (pp19-20).

5.5.7 Ireland

5.5.8 Position of employees

Standard notification and consultation procedures apply to collective redundancies brought about by bankruptcy. However, notification to employees is not required. In practice, companies filing – or planning to file – for bankruptcy do not typically consult with their workforce or worker representatives over procedures or compensation for job losses. In addition, companies going bankrupt do not usually attempt to provide support for workers in the form of advice and guidance or practical assistance to find new jobs.

Social plans to compensate workers for job losses are not usually drawn up. Workers losing their jobs due to company bankruptcy tend to receive smaller amounts of financial compensation than in other cases of collective redundancy, often only receiving a statutory redundancy payment.

5.5.9 Government and social partner support for workers

The Insolvency payments section of the Department of Enterprise, Trade and Employment (An Roinn Fiontar, Trádála agus Fostaíochta) processes claims from employees for the payment of wages, holiday pay and other amounts owed to them in the event of company insolvency. When the employer is being liquidated, payments are made from the Social Insurance fund.

In the case of pensions, annuity contracts are purchased from insurance companies under which the pension fund gives the insurance companies a lump sum in return for providing pensions to the workers involved. However pension deficits can arise. In April 2009, the Irish government announced a Pension Insolvency Payments Scheme (PIPS), whereby the state provides this annuity rather than private insurance companies in the event of a deficit. However, significant

deficits are likely to remain and the PIPS proposal is not designed to guarantee the workers affected the payments that they had been expecting.

It is uncommon for social partners to be involved in providing, or guaranteeing, financial and other support to workers in the event of bankruptcy. However, trade unions are seeking some advance on private sector pensions (pp22-23).

5.5.10 Sweden

5.5.11 Position of employees

Employers are obliged to inform trade unions of important developments, such as reorganisation, bankruptcy or other forms of restructuring. Meetings have to take place at least twice a year or whenever necessary. This gives trade unions influence over the working environment, and the company agenda, and should result in a no surprises approach.

5.5.12 Government and social partner support for workers

The wage claims of employees are given priority over all other forms of credit except mortgages. Employees have 'salary guarantees' (*statlig lönegaranti*) – that is, compensation paid by the state if a bankrupt company does not have sufficient assets to meet their claims (up to about €16,000).

The social partners regulate the labour market through collective agreements. These agreements seldom include provisions on bankruptcies. However, most include support for workers who are unemployed, as in the case of bankruptcies, in the form of advice, guidance and practical assistance to find a new job, provided through employee security agreements (*trygghetsavtal*). In some cases, financial support which is complementary to unemployment benefits is also included (pp34-35).

5.5.13 UK

5.5.14 Position of employees

In the UK, no legal distinction is made between collective redundancies that occur as a result of bankruptcies and other forms of restructuring.

Workers who lose their job as a result of bankruptcies are legally entitled to the same financial compensation as those who lose their jobs in other companies, and there are examples of workers receiving substantial amounts of redundancy pay.

5.5.15 Government and social partner support for workers

In the UK, the Insolvency Service provides compensation to workers who have lost their jobs as a result of bankruptcy and have not received the wages owed to them. Those eligible may claim wages, holiday and notice pay that is owed to them up to a maximum amount.

By law, companies in financial difficulties are prevented from using a company pension fund as a means of covering their debts or as a source of borrowing. If companies have not made the scheduled contributions into workers' pension schemes, these can be paid by the Insolvency Service.

Few social partner collective agreements include reference to bankruptcy. Nevertheless, many trade unions provide information to their members about their legal rights.

No statutory public or social partner agencies exist for the purpose of preserving jobs when companies file for bankruptcy. However, there are several schemes to preserve employment in such cases. At regional and national level, UK public authorities and social partners have combined to develop strategies for economic renewal in regions that have been substantially affected by large-scale bankruptcies.

In addition to the permanent Regional Development Agencies (RDAs), several regional taskforces have been established in recent years that assist workers affected by bankruptcy (p36).

5.5.16 Lessons for PACE

Central agencies will have to take a lead in ensuring that workers in firms facing redundancy are/have been provided with adequate support through transition: employers facing bankruptcy tend to have few resources (although UK workers do have some legal protection, this does not extend to financing support through transition), firm closure can be very quick and in some cases payments are made in lieu of notices, further truncating already limited opportunities for transition support and, of course, there are unlikely to be opportunities for redeployment within the company (although MBO/EBOs do offer respite in some cases).

Other: Employees would however remain on the payroll for a period of time to build up the project. They would have free time during their working hours for a period of three to nine months to devote to developing their project. Other types of support varied according to the nature of the project.

Other support: Training and support from external experts and structures was provided by FT. The company founded an entrepreneur club with former employees who have created their own enterprises and who participate free-of-charge in meetings with candidates interested in setting up their own enterprises.

Perhaps most reassuring for employees, were the new venture to go bankrupt, the employee has the option to return to FT. Some 12% of employees who left to set up their own business have returned under this scheme. This greatly minimises the personal risk involved in setting up a business and provides a greater incentive to employees to start their own business.

5.6 Good practice examples of business start ups

5.6.1 France Télécom [Eurofound, 2006]

The restructuring was undertaken because of privatisation, and as a result of changing market conditions. As part of an initiative to reduce staff costs without resorting to redundancies, a spin-off initiative was set up, which enabled employees who wanted to start their own company to do so using the technologies of France Télécom. Feasible projects were accepted onto the programme where they would not be in direct competition with FT's core business.

5.6.2 Support:

Financial: FT has a number of venture capital firms within its groups. Financial support was available from these organisations for technology spin-offs. Financial support was not available for other ventures.

5.6.3 Results, success factors and lessons learnt

Over the ten years since 1996, around 500 enterprises generating approximately 2,000 jobs have been created as a result of this programme. Among these, 450 enterprises have been established in sectors with no link with FT's core activity, such as retail trade and services (including education, health and real estate). The remaining 50 new enterprises can be classified as technology start-ups, accounting for around 850 jobs. Some 38 of these 50 enterprises have benefited from financial support from FT. At 10%-12%, the global failure rate of new enterprises created by former employees of FT is relatively low. These results can be partly explained by the fact that projects are closely analysed before FT decides to support the start-up, ensuring that only the most worthwhile ideas are passed and that they are supported through help from experts.

Difficulties remain largely internally. One challenge was the resistance of middle management, who were not always in

favour of letting employees, particularly motivated workers, leave in order to develop their own start-ups. Also noted was varying level of information within the organisation about the level of knowledge of the spin-off options.

5.6.4 Germany: Otto GmbH & Co KG [Eurofound 2006]

Otto GmbH & Co KG is a mail order company in Germany. The restructuring was undertaken in response to market changes, principally the rise in on-line shopping. Overall 500 jobs were to be cut from a total of 3,500. The company sought to do this in a socially responsible way. The “incubator programme” was one of the initiatives they introduced to that end.

Otto worked with a number of external agencies to implement the incubator project – including the external consulting firm Enigma Company, the Federal Employment Agency and other outplacement companies.

Involvement in incubator project was via a series of phases. Around 600 employees took part in orientation discussions. Around 150 of these employees then moved on to attend two information events based on setting up a business. These were practical workshops – participants could present their business ideas and assess their feasibility. These discussions also considered entrepreneurship, and whether the employees fitted the profile. Some 35 of the original candidates decided to take part in start-up training.

5.6.5 Support

Financial: Employees were released from their normal working duties, but still receiving their salaries during the orientation discussions and start-up training (six months). Prospective entrepreneurs were able to apply for further training by Enigma after they set up their business. During this phase they were entitled to an interim payment offered by the Federal Employment Agency, which amounted to 95% of their previous salary. In addition, the Federal Employment Agency co-financed 50% of the entrepreneurs’

training programme during this spin-off phase. This joint public-private support was particularly important since the banks seemed to be reluctant to grant start-up loans to new entrepreneurs. This was tailored over two six-month periods – the first leading up to the launch of the final business plan, the second the implementation of the business plan.

Material support measures for the prospective entrepreneurs included all the necessary facilities for a ‘business incubator’. These were provided by Otto in a building on the company’s premises (offices with telephones, faxes, PCs, internet access, seminar rooms and workshop offices).

In addition, Enigma and Otto offered a specific training and support programme based on key principles: coaching, forecasting, regular compulsory group meetings, workshops and seminars on topics of particular importance for launching a business; special support measures, including financial advice, legal advice, team coaching, focused discussions and crisis intervention. Support measures covered business needs and any personal problems that might distract participants from their start-ups tasks. In a similar manner, crisis intervention procedures were designed.

5.6.6 Results, success factors and lessons learnt

Some 82% (i.e. 32 former Otto employees) who completed the six-month course have set up their own business or are in the process of doing so.

Key success factors included:

- Strong commitment by all the stakeholders involved;
- Timely communication with the workforce;
- Ensuring that cooperation by personnel is voluntary;
- Engagement with an external consulting agency specialising in start-up businesses;
- The expertise of Enigma in realistic assessment of the viability of the business ideas before the final selection of prospective candidates.

5.6.7 Lessons

Despite the broad information campaign, the confidence of many employees who remained at Otto was dented by the new placement project. To address this in the future, plans are being made to enhance the information flow and to better prepare management for such sensitive tasks.

5.6.8 Lessons for PACE

These examples clearly demonstrate that effective business start-up schemes demand commitment, time, and resources. Both initiatives devoted a great deal of time in the early stages to information dissemination, project/product development, and scrutiny and screening. Only those projects with the greatest chance of success were encouraged/supported, and resourced (and, in some cases financed). Notably a wide range of support mechanisms were offered, from the practical (such as premises and office supplies), business training, financial (benefits/salary/grants/venture finance) and mentoring/critical friends.

5.7 Partnership case studies: [Eurofound 2011]

5.7.1 Mini labour exchanges, Lithuania

A mini labour exchange can be set up within an enterprise as soon as it posts a redundancy notice (two months before the redundancy takes place). It consists of representatives of the Local Labour Exchange (LoLE), and local offices of the Lithuanian Labour Market Training Authority, trade union representatives if relevant and local government representatives.

The services for employees under notice of redundancy include individual or collective consultation, access to relevant job vacancies and information about active labour market measures. Employees are also encouraged to visit other local enterprises [Eurofound 2011, p20].

5.7.2 'Reaction service' to collective redundancies, Estonia

A number of these have been established using the 2007-2013 ESF programme and coordinated by the Estonian Unemployment Insurance Fund. The 'reaction service' concentrates on the company that is making collective redundancies. It provides services such as counselling and job mediation. The variety of stakeholders involved – the labour inspectorate, local governments and other enterprises – depends on the specific needs of the people being made redundant. Mediation with potential employers is provided and redundant workers can, for example, visit other companies. Employees are made aware of their rights and are offered guidance and information as well as financial advice. Between January and May 2010, the 'reaction service' supported 60 cases of restructuring. An evaluation carried out in 2007 showed that the measure that most improves redundant workers' employability was the mediation between them and potential new employers [Eurofound 2011, p20].

5.7.3 HessenTransfer initiative, Germany

5.7.4 Support to SMEs in order to deal with staff surplus

HessenTransfer (April 2010) is a collaboration of Hessian social partner confederations (DGB Hessen representing the trade unions and VhU representing employer associations) in cooperation with the Ministry of Social Affairs of the state of Hesse and the regional PES branch (BA).

HessenTransfer provides advice and practical help for SMEs on dealing with staff surpluses, and supports the employees affected by redundancies. It helps companies wishing to cooperate with a transitional employment agency (*Transferagentur*) or transitional company (*Transfergesellschaft*). The measures are financed by the BA and the company that is restructuring. The BA pays a short-time working allowance for a maximum of 12 months, while the previous employer pays the social security contributions, administrative and consulting costs of the transitional

employment agency/company and any costs incurred for further training courses [Eurofound 2011, p22].

5.7.5 Västkraft Partnership, Gothenburg region, Sweden

5.7.6 Retraining employees and workers affected by redundancies

This project launched in 2009 in response to adverse economic conditions in the Gothenburg region. It is financed by the ESF and programmed to run for two years. The lead agent is the Gothenburg municipality. There are nine partners, including the PES Arbetsförmedlingen, Business Region Göteborg and the main social partner organisations.

The main objective is to improve the skills of employees and redundant workers in the technology sector, in particular within the automotive industry including subcontractors. Training providers are selected via public procurement.

Some 80 local companies have participated in the project, **the majority of which are SMEs**. Eighteen months after the start of the project, 1,500 persons have completed their education at Västkraft, with an additional 2,000 graduates expected in autumn 2010 [Eurofound 2011, pp24-5].

5.8 Health

5.8.1 The Drinkaware Trust

The campaign was launched following research carried on behalf of Drinkaware carried out by YouGov Plc. between 17 and 19 March 2009.

2,253 adults were surveyed online. The figures have been weighted and are representative of all GB adults (aged 18+). This found that:

- 49% of respondents who have been made redundant or know someone who has been made redundant are themselves or know someone who is drinking more during the day;

- More than 71% directly attribute the increase in drinking alcohol to redundancy;
- 61% are concerned about the increase in alcohol consumption.

As a result Drinkaware partnered with an experienced careers coach to put together a leaflet about positive steps to take following a recession. The leaflet focussed on overcoming redundancy, finding a job you will like and how to stay healthy through a stressful time. Copies were sent to over 10,000 GP surgeries and to each of the 741 job centres along with an A4 promotional poster. An electronic version was also hosted on the Drinkaware website, which was promoted free of charge from a number of recruitment agency websites and recruitment agency newsletters including, Reed, Charity Job, ACAS, People Unlimited, Guardian Jobs, Prospect-us and many others. The campaign also achieved an extensive amount of press coverage.

5.9 Flexicurity

5.9.1 Flexicurity in Sweden [European Mission to Sweden]

In response to high levels of unemployment and economic inactivity in 2006, the Swedish Government developed a three-pronged approach to increasing employment: making it more worthwhile to work (supply side), making it easier and less costly to take on new employees (demand side) and improving matching in the labour market. Measures to support this approach included major income tax reform, targeted pay roll tax deductions, tightening of social security systems, unification of the public employment service, increased competition in employment services, tax deduction on domestic services and lower volumes in active labour market policies (ALMP) to improve efficiency.

Early assessments suggested that the approach was successful, but that some challenges remained. For example, youth unemployment in Sweden is relatively high, compared

with other EU states. This may result, at least in part, from wage structures, and the government has introduced a number of reforms to increase the labour market participation of youth: the reduction of employers' social contributions when hiring young people, the introduction of de-escalating benefits for youth, improved job search activities as well as the extension of the duration of fixed-term contracts.

The uniqueness of the Swedish labour law in delivering the Swedish approach to flexicurity is critical. Swedish labour regulations, which in many parts can be deviated from through collective agreements, has allowed for the development of "negotiated flexibility" at both industry and firm level. This means that the social partners have the possibility to negotiate solutions adapted to the specific demands in a given case.

The Swedish transition agreements which facilitate workers adjustment in the restructuring provide an example of how flexibility and security combine to promote the needs of both companies and individuals in the labour market. Around half of the employees in the Swedish labour market are covered by adjustment agreements, and each year support is provided for thousands of transitions. Overall, adjustment in the labour market works relatively well in Sweden. However, there remains a considerable "insider-outsider challenge" facing individuals of working age. Planned developments were therefore around ensuring Flexicurity encompasses not only individuals inside the labour market but also those individuals who are outside the labour market – involving reforms designed to increase employment and reduce labour market exclusion.

5.9.2 Flexicurity in France [European Mission to France]

The French Flexicurity programme involved labour market modernisation, reforms of the public employment service and of vocational training.

1. Lifelong learning

Vocational training in France has five objectives: enabling redeployment and adjustment within companies by assisting employees to update skills; guaranteeing support during industrial transformations; ensuring intermediation where professions are in a state of tension, so that supply can better meet demands; facilitating "second careers" and professional reorientations for employees; offering schemes to address groups that are farthest away from employment. Reforms to vocational training/LLL introduced at the end of 2008, were designed to improve on the previous system, and ensure employees of all enterprises benefited, rather than mainly those in large companies; that vulnerable workers and those in restructuring industries benefited; and that cost efficiencies in the training system improved.

2. Active labour market policies and social security system

The PES was to be reformed from the beginning of 2009. The two main operators will merge into a single body, providing services for employers and jobseekers. As well as simplifying processes, the merger aims to improve the effectiveness of the PES. For instance, the pooling of resources will make it possible to deploy more agents in the field, at the service of users, and a complete range of services will be proposed to jobseekers, whether they are entitled to benefits or not. Further reforms were also being considered: to provide more active support to jobseekers, and to place new obligations on jobseekers to develop a personalised employment access plan and accept reasonable job offers (or risk suspension of benefits).

3. Flexibility and security of contractual provisions

During the last quarter of 2007, the French social partners negotiated a national intersectoral agreement concerning the modernisation of work. This would contribute towards flexicurity, by seeking a parallel reinforcement of the security and flexibility of contractual provisions and career paths, for the benefit of employers as well as employees.

6. COMPARATIVE INFORMATION

State	Definition of collective redundancy	Notification	Consultation	Compensation
Austria ^{1,2,3}	Limited definition - a situation where an employer plans to reduce the workforce by a significant number.	30 days' notice to the Labour Market Service. (Works Council must be informed before this) for the following levels of redundancies: <ul style="list-style-type: none"> - Affecting at least five employees in establishments with 21-99 employees - at least 5% of the workforce in establishments with 100-599 employees - or at least 30 redundancies in establishments with 600 or more employees. 	Consultation with Works Councils mandatory. Alternatives to redundancies must be explored.	Severance payments provided. Full compensation until the end of the notice period. Funding provided for retraining subject to Social Plan.
Denmark ²	Collective Dismissals Act that provides for redundancies of 10 or more employees at any one time.	30 days' notice must be given to the Labour Market Council for the following levels of redundancies: <ul style="list-style-type: none"> - 10 in companies with 20-99 employees - 10% of employees in companies with 100-299 employees - at least 30 redundancies in companies of 300 or more. 	Negotiations between the company and the employees/ their representatives to establish if job losses can be avoided or reduced.	There are no provisions for severance pay. Some long-standing salaried staff have a right to right to receive compensation. Entitlements of non-salaried workers will be established in collective agreements.

State	Definition of collective redundancy	Notification	Consultation	Compensation
France ^{1,3}	In addition to EU provisions national legislation covers collective redundancies involving two-nine employees.	Timings are not specified. The number of meetings, and timing between meetings for different scales of redundancies are set. For a larger employer making a number of redundancies, two sets of meetings, with 14-28 days between them will be required.	Employers must provide the Works Council with a social redundancy programme. This sets out possible alternatives to dismissal, assistance in finding work and compensation. Notices of dismissal cannot be sent to employees until 30-60 days after the work's council's opinion on the job protection plan.	Employees with two years' service are entitled to a statutory severance pay. Usually the applicable collective bargaining agreement provides for higher payments.
Germany ²	EU applying to establishments with more than 10 employees applies. However, collective agreements place additional requirements on establishments of more than 20 employees.	30 days' notice must be given when redundancies account for <ul style="list-style-type: none"> - at least five employees in establishments with more than 20 but fewer than 60 employees; - 10% of employees/more than 25 in establishments with at least 60 and fewer than 500 employees; - at least 30 employees in establishments with 500+ employees. 	Works councils must be fully informed. A social plan is developed between the employer and works council.	The social plan specifies severance payments; typically a weighted combination of monthly salary and years of service.

State	Definition of collective redundancy	Notification	Consultation	Compensation
Ireland ²	At least five employees. (set out in The Protection of Employment Acts of 1977 and 2007).	<p>30 days' notice must be given when redundancies account for</p> <ul style="list-style-type: none"> - at least five employees in establishments with 20-50 employees; - at least 10 in establishments with 50-100 employees - at least 10% of employees in establishments with 100-300 employees; - at least 30 in establishments with 300 or more. 	The employer must inform and consult with the employee representatives.	<p>Employees with two years' service with the employer are entitled to severance pay.</p> <p>Negotiations and provisions in existing collective agreements may enhance these payments.</p>
Netherlands ³	<p>National-level legislation in place in line with the EU Collective Dismissals Regulations.</p> <p>NB - employers cannot unilaterally terminate a contract of employment - consent has to be granted by the regional centre for work and income.</p>		The employer must consult with the Trades Unions, the work council and any other bodies as set out in negotiated agreements.	Severance pay is usually agreed as part of the social plan (not statutory).

State	Definition of collective redundancy	Notification	Consultation	Compensation
Sweden ^{1,2}	Collective redundancy provisions cover redundancies involving five or more workers	<p>Notice is required as follows:</p> <p>five-25 redundancies – two months’ advance notice</p> <p>26-100 redundancies – four months’ notice</p> <p>101 or more redundancies – six months’ notice</p> <p>The employer must inform County Employment Board and the relevant employee representatives.</p>	The employer must consult with the employee representatives and negotiate the terms of the job losses. In normal	<p>Employees do not have any statutory right to receive a severance payment.</p> <p>However, though such an entitlement is normally set out in individual employment contract or collective agreement.</p>
UK ²	Redundancies involving 20 or more employees at one establishment within a period of 90 days or less are required to involve collective consultation.	At least 30 days before the first termination when there will be between 20 and 99 redundancies or at least 90 days where there will be more redundancies.	The employer must consult meaningfully with staff/ appropriate representatives	<p>Workers with two years’ service are entitled to statutory severance pay. The amount payable is based on length of service, wage rates and age.</p> <p>Local negotiated agreements may enhance these payments.</p>
<p>The following sources were used to compile the table:</p> <p>1: Forde, 2007, Table 1, pp23-29</p> <p>2: cedefop, 2010, Appendix D, pp196-200</p> <p>3: Freshfields, 2008, pp2-24</p>				

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