



Crisis, Social dialogue  
and Renewals in Restructuring

Restructuring in SMEs

[www.responsible-restructuring.eu](http://www.responsible-restructuring.eu)

**Crisis, Social Dialogue and Renewals  
in Restructuring**  
Restructuring in Public Services



**RENEWALS**

A project funded by  
the EU DG  
Employment,  
social affairs and  
inclusion

This Workshop cahier has been edited by Virginie Bussat and Claude Emmanuel Triomphe (ASTREES), with Birgit Köper (BAuA Germany).  
Special thanks to Nicolas Gauduin

Crisis, Social dialogue  
and Renewals in Restructuring

Restructuring in SMEs



## Workshop Cahier Structure

### **Restructuring in SMEs : typologies and main trends**

Transverse Analysis, by Wim Sprenger (Opus 8, the Netherlands) - p.7

- Types of Restructuring, general characteristics of restructuring in SMEs, drivers of change, policy pointers, by Irene Mandl (EUROFOUND) - p. 11
- Uncertainty and Dependence in SMEs in North Region: Intervention Results in 12 companies, by Marie Christine Lenain & Thierry Rousseau (ARACT Nord Pas de Calais / ANACT, France) - p. 17

### **SMEs Individual Initiatives & Job Transitions**

- Transverse Analysis, by Ola Bergstrom (University of Gotenborg, Sweden) - p. 25
- From a stable and traditional family company to a professional and innovative organization, by Wim Sprenger (Opus 8, the Netherlands) - p. 31
- Investigating the role of job security councils in SMEs restructuring, by Rebecka Arman & Ola Bergstrom (University of Goteborg, Sweden) - p. 38
- The organization of well-being in a local SME in Marche Region, by Sebastiano Bagnara, Michela Vian, and Franca Galgano (ISTC & TEUCO, Italy) - p. 61



## Restructuring in SMEs, SMEs Networks and social dialogue

Transverse Analysis, by Virginie Bussat (ASTREES, France) - p. 67

- Restructuring, psychological health and well-being: PSYRES, by Noortje Wiezer (TNO, the Netherlands) - p. 71
- Anticipating restructuring and active labour market policies in craft enterprises: the case of Lombardy, by Mario Giaccone (University of Torino, Italy) - p. 73
- MECALOIRE, by Virginie Bussat (ASTREES, France) & Marie Céline Rasclé (MECALOIRE, France) - p. 81

## Conclusions

SMEs in an Experimentation Process, by Claude Emmanuel Triomphe (ASTREES, France) - p. 86

### IRENE network and Renewals project

Born during a seminar held in Dublin in 2003, IRENE (Innovative Restructuring-European Network of Experts) is a network bringing together independent experts – academics, practitioners, managers, social partners, consultants – from various countries (Belgium, Bulgaria, Czech Republic, France, Germany, Italy, Poland, Portugal, Romania, Slovenia, Spain, Sweden, The Netherlands, United Kingdom). It is open to new partners. Working on social and economic dimensions of restructuring in Europe with a view to promote responsible and therefore innovative practices, the IRENE network has achieved or contributed to a range of EU projects such as MIRE, AGIRE, HIRES, HIRES PUBLIC, ARENAS etc..) as well as to the Green paper published by the EU on restructuring (2012) or the report issued on the same topic by the European Parliament (2013). IRENE opened recently its website [www.responsible-restructuring.eu](http://www.responsible-restructuring.eu). Beside new projects and studies on restructuring, IRENE will deliver on a regular basis policy papers based on its works.

Having started in 2012, the Renewals project is an EU funded project focusing at innovations arising in times of crisis for restructuring in two areas, SMEs on the one hand and public sector on the other. This project was based on case studies and workshops conducted by IRENE network members. The project results are presented in two Workshop Cahiers.



# Part 1

What makes SMEs different  
from larger players  
when restructuring takes place?

Transverse Analysis  
Articles



# What makes SMEs different from larger players when restructuring takes place?

## Transverse Analysis

Wim Sprenger (Opus 8, the Netherlands)

This is a cahier about small and medium enterprises/ organizations, SMEs, in restructuring. EU member states and industrial sectors have often their own definition about which companies are small and large. In the EU SMEs are defined as enterprises with fewer than 250 employees, provided that they are independent (of other enterprises) and do not have sales that exceed EUR 50 million or an annual balance sheet that exceeds EUR 43 million.

Statistically SMEs are classified in three categories:

- medium-sized (50 to 249 employees);
- small (10 to 49);
- and micro enterprises (less than 10).

Companies with 250 or more persons employed are thus called large enterprises.

Why has a special look at SMEs, if we want to move forward in the field of restructuring of companies, the specific impact of the financial and economic crisis since 2008 and the role of social dialogue in guiding and cushioning these processes? We have five main motivations to focus specifically on SMEs:

1. As the next table shows, 2 or each 3 employees/workers in the EU are employed by an SME. It seems obvious that the majority of employees made unemployed or forced to orientate themselves on new employment during the crisis comes from a micro, a small or a medium enterprise. And still there is much more attention in the media, in political discussions and sectoral or national social dialogues for restructuring in larger organisations.

In 2008 the 20.9 million SMEs in EU-27 employed two third of all employees and produced 58.6% of all added value in non-financial business economy. More than nine out of ten (92.0%) enterprises in the EU-27 were micro enterprises, employing 29.0% of EU-27's workforce. Companies over 250 employees had a slightly higher share of 33,3%.



## Enterprise size, employment share and labour productivity in EU-27 (2008)

	Number of enterprises	Persons employed	Value added	Apparent labour productivity
	Share in total (%)	Share in total (%)	Share in total (%)	Relative to total (%)
All enterprises	100	100	100	100
All SMEs	99,8	66,7	58,6	87,8
Micro	92	29	20,8	75,3
Small	6,7	20,5	18,6	90,5
Medium	1,1	17,2	18,2	105,3
Large	0,2	33,3	41,4	124,5

Source: Eurostat

2. Most knowledge and experience about anticipation and management of restructuring comes from larger firms. The European Restructuring Monitor (ERM), which Eurofound runs since a number of years, only registers restructuring of companies losing at least 100 jobs or a company having sites of 250 employees or more and losing at least 10% of its workforce. Most median enterprises and all of the smaller ones are thus not included in the ERM database and its analyses. A particular focus on SMEs can therefore produce the necessary correction and supplement of the restructuring discourse, dominated by 'big company stories'.

3. Moreover restructuring in large companies often strongly effects SMEs in the region or the value chain where this large company is a player. Small and medium companies are partly performing tasks and activities which used to belong to the core business of big enterprises: outsourced services like catering, transport, security, customer care. On the other hand they can be part of the 'flexible peel' around a company, safeguarding key employment within this company. Often it is not easy to decide on the effects of restructuring at the core company within SMEs around or serving as supplier or service provider.

4. The SME category as a whole tends to be far more diversified than statistics suggest. Small or medium-sized companies are more than the counterpart of large companies in economics, labour market and restructuring. The table above shows substantial differences within the SME category. At the Hoofddorp workshop which was at the base of this cahier Dutch SME employers organization representative Mario van Mierlo : 'For me the main watershed is between SME's over 70 and under 70 employees. 70+ companies tend to have professional HR management, and can be seen as on their way to be a large(r) company. They are really different from small organisations, where the owner decides for all and is the only manager.'

5. Social dialogue within and around SMEs is really different from what can be seen in larger organisations. Collective labour contracts for SMEs are often less favorable for employees in SMEs. Social plans are mainly a topic for social dialogue in big companies



restructuring. Seldom legislation or agreements between social partners do not cover restructuring in smaller companies, as the number of employees involved per company is too small to create obligations and traditions for restructuring oriented social dialogue. This is also a problem for trade unions. How can they deal with 'relatively small scale' restructuring in SMEs at company level?

### The strategic position and potentials of SMEs

The European has recognized the importance of SME's for economic development and on the labour market. In June 2008, the Small Business Act (SBA) for Europe was adopted. This Guideline recognised 'the central role of SMEs in the EU economy'. It aimed at strengthening the role played by SMEs and to promote their growth and job creating potential through alleviating a number of problems, including:

- coping with administrative burdens;
- facilitating SMEs' access to finance;
- supporting SMEs in their bid to access new markets;
- ensuring fair competition;
- promoting education and skills for entrepreneurship;
- protecting intellectual property;
- encouraging research and development;
- supporting SMEs in a regional and environmental context.

The motto for this mainstreaming of SME policy was to 'think small first'.

Three (crisis) years later a review of the SBA was released (February 2011). The European Commission suggested new actions 'to respond to challenges resulting from the financial and economic crisis' (restructuring in SMEs). SMEs should be empowered to deliver the key objectives of the Europe 2020 strategy: smart, sustainable and inclusive growth.

### SMEs and restructuring: does the crisis make SMEs innovate?

This cahier deals with a series of examples form practice in some of the member states.

Can the way restructuring in SMEs proceeds in general be compared with what we know about processes and results in large enterprises? Can SMEs learn from practice



and social dialogue elsewhere?

In the first part of this cahier the innovative potentials of SMEs are discussed at two levels:

- the actual situation in EU-27 as a whole
- concrete interventions and initiatives directed towards groups SMEs in two French regions

Irene Mandl, research manager of Eurofound in Dublin, summarizes the results of a recent analysis of SMEs and restructuring before and during the crisis. Based on a survey and 3 case studies per country she shows the wide variance within the category of SMEs. In particular the position of owner/managers in family companies seems to be an important topic. Most of those who have dealt with restructuring emphasize they had no plan available to cope with a restructuring process. Decision making was often very informal. Quite often the owner/entrepreneur identified with the staff until the moment there was no other way-out than a jump forward, with sometimes dramatic consequences for staff members. After the restructuring process the majority of this group suggested a plan would have been a worthwhile tool to better cope with the process and the challenges. Mandl reports the existence of a vast repertoire of support for SMEs. In many cases this public support is not as useful, due to – in their own observations - bureaucratic procedures, high administrative burden and the offered support not fitting the needs of these SMEs.

The second case is about 12 SMEs in difficulty in a Northern French region. In many of these companies the manager/owner was heavily committed and involved in various (inter)personal aspects of the labour force in their company. Single decision making by the manager/owner was a result, and a risk for the survival and innovation of the company. In accordance with Eurofound's (Mandl) findings unions were badly represented, works council or Health and Safety Committees were rare. For the consultants supporting these companies anticipation was a key word. 50% of their interventions started with strategic plan making; the main goal was to move from single to joint problem solving. A second challenge was to create new organizational structures to better use existing (and underutilized) skills already available. After 1-2 years internal sources had increased in 7 of the 12 SMEs. These 7 moved to an average score on uncertainty and dependency.

The cases presented show many SMEs, when in crisis, face problems to use the competencies available within the company, from other companies or social partners, from available public support. The special relations between owner/managers and employees can be a strength if things go well (inspiring atmosphere, good personal contacts, the SME as a family), a weakness when innovation and survival are at stake (preventing the company from shared learning, external orientations and co-operation). Many SMEs are unable to 'use' social dialogue in a productive and innovative way.



# What makes SMEs different from larger players when restructuring takes place?

## Main Trends

Irene Mandl (Eurofound)

### Background and objectives of the project

While restructuring is a general characteristic of economic development, policy debate on the topic generally focusses on large-scale restructuring. Restructuring in Small and Medium-sized Enterprises (SMEs) receives much less attention in spite of their considerable relevance for the European economy. Consequently, little is known about the relevance of different restructuring types for SMEs, the motivations for SMEs to change, the characteristics and outcomes of the restructuring processes as well as the fostering and hindering factors for their successful restructuring.

In 2011-2012, the European Foundation for the Improvement of Living and Working Conditions (Eurofound, [www.eurofound.europa.eu](http://www.eurofound.europa.eu)) conducted a research project with the aim to contribute to closing this knowledge gap. Through a literature, data and policy analysis in all Member States of the European Union a mapping of available information was conducted. Additional information was gathered through more than 80 company case studies (focus on firms with 30-100 employees before restructuring), resulting in new insights about some major characteristics of restructuring in European SMEs. While considering the effects of the global recession, the study does not exclusively focus on the economic and financial crisis and hence can be considered as a baseline study systematically compiling and analysing information on restructuring in SMEs in general across all Member States of the European Union for the first time.



## Types<sup>1</sup> of restructuring relevant for SMEs

Internal restructuring such as the adaptation of internal processes or structures, diversification or business transfers is the most common restructuring form for SMEs. It can either be realised in a formal (involving administrative procedures) or informal way (often referred to as 'silent' restructuring) and tends to spread over a comparatively long time period (average duration of 2-5 years among the analysed case studies). Bankruptcy/closure or procedures to avoid such is also prominent among the SME population, as is business expansion (including internationalisation for which, however, SMEs in general show lower engagement than larger firms). While the high importance of internal restructuring can be explained by the broad scope of this category, the relevance of both business expansion and bankruptcy/closure is to be attributed to the company life cycle (starting up as very small enterprise and then expanding; downsizing before leaving the market). Formal procedures related to bankruptcy/closure are generally assessed as lengthy and bureaucratic by the affected SMEs, and often also impact on the private sphere of the entrepreneur. Formal restructuring procedures that allow companies to turn around and avoid bankruptcy/closure are characterised by shorter periods and contribute to the sustainability of the firm and jobs.

Outsourcing is of increasing importance, but still at rather low level, particularly in the New Member States where SMEs are traditionally receivers of outsourced services rather than outsourcing themselves. SMEs tend to outsource non-core business activities (e.g. IT, payroll administration, logistics) to firms that are smaller than themselves and located in geographic proximity.

For mergers/acquisitions, relocation and offshoring/delocalisation hardly any information related to SMEs is available across Europe. While for relocation and offshoring this could be attributed to a low relevance for the SME sector, the lack of information on mergers/acquisitions could be explained by the thresholds for registration/authorisation not capturing SMEs.

## General characteristics of restructuring in SMEs

Restructuring in SMEs is often characterised by a combination of different events rather than being an isolated one. For example, more than 40% of the analysed case studies have been classified as having experienced more than one restructuring type in a single event. The combinations of internal restructuring and business expansion with one or several of the other restructuring types were widespread.

Restructuring processes in SMEs tend to be realised in a reactive manner, often without formal restructuring plans. Among the analysed case studies more than 40% did not have any restructuring plan, and fragmented available literature shows

---

<sup>1</sup> Based on the categories used in the European Restructuring Monitor (<http://www.eurofound.europa.eu/emcc/erm/index.htm>), but slightly adapted for the purpose of this project.



even higher levels. One reason for this is that the strong involvement of the owners/managers in the daily business activities gives them less time for the planning of change. In the management of restructuring, however, decisions are taken quickly and flexibly.

Owners/managers have the strong intention to continue and improve their business and show considerable personal involvement (financially as well as regards work). This becomes obvious in more than 80% of the analysed case studies. Strong identification of the employer with the staff and the wish to keep the workforce is widespread. However, if redundancies become necessary, dismissed workers are hardly ever supported by the employer which is justified by the existence of labour market policy instruments well covering the redundant workers.

### Drivers of change in SMEs

Restructuring in SMEs is motivated by a combination of company external and internal drivers. While the external drivers, such as the development of demand, public policies, globalisation or technological progress are the same as for large companies (but partly with different effects), the company internal ones are very specific for SMEs. Examples are the entrepreneur's ambitions fostering business expansion, diversification or internal reorganisation, limited financial or staff resources driving outsourcing, cost cutting or efficiency improving activities, dependency on few clients or suppliers necessitating changes pushed upon them or the change in ownership resulting in new management approaches and business ideas.

As regards the individual restructuring types, the analysis of the conducted case studies pinpoints that internal restructuring, offshoring/delocalisation and relocation can equally be caused by an intrinsic motivation of the owner/manager or a company external cause. Business expansion, outsourcing and mergers/acquisitions are in most cases caused by pull factors while bankruptcy/closure generally is pushed upon SMEs.

### Main bottlenecks and success factor for restructuring in SMEs

The project succeeded in identifying and classifying factors that influence the success (understood as beneficial outcome for the company and the affected employees) of SMEs' restructuring. Whether an individual factor has positive or negative effects on a specific restructuring event depends on the characteristics of the company and the restructuring. Furthermore, it is hardly ever an individual factor determining the success or failure of an SME restructuring, but rather the combination of them. Consequently, negative effects of one factor can also be compensated by positive effects of other factors.

As the drivers of change, the main bottlenecks and success factors can be classified as company internal and external. Company internal factors are the characteristics and skills of the owner/manager and staff (openness to consider and ability to cope with change, personal/emotional aspects, business/market related expertise, open and timely communication), the management approach (for example, 60% of the



interviewed owners/managers mention that a strategic management approach is a decisive factor for the restructuring events while at the same time the ability to flexibly adjust to new environmental/framework conditions needs to be maintained) and the organisational culture.

From a company external perspective, the availability of suitable support, the level of administrative burden, the relationship to business partners as well as the general business environment is decisive for SMEs' restructuring.

Finally, access to finance (including supportive behaviour by banks) is relevant for a successful SME restructuring and can be considered as either company external or internal or a combination of both, depending on the sourcing of funds.

### Organisational outcomes of SMEs' restructuring

Restructuring in SMEs often results in changes in the company's strategy as regards the extent of business activities (expanding or cutting activities) and the management orientation (formalisation, planning etc.).

Almost 60% of the analysed companies expanded as a result of restructuring, pinpointing that such was not exclusively achieved in restructurings initially aiming at growth (business expansion, merger/acquisition), but also some internal restructurings led to extended business activities. About 18% of the analyzed cases resulted in cutting of business activities. While quite naturally, the vast majority of these were cases of internal restructuring and/or (avoiding) bankruptcy, also in some of the restructurings that aimed at business expansion, some of the business activities were stopped for reasons of increased efficiency.

In almost 60% of the cases the restructuring brought about learning effects for the owner/manager who afterwards applied a more professional management (including more formal processes, for example, job descriptions and targets to be reached) and a more strategic perspective, not at least as regards anticipation of future change and planning of next development stages of the firm.

Both, the orientation of the business activities and the management naturally influence the operational dimension of the restructured SME, such as the product portfolio, the design of internal processes and the cost structure. In almost half of the analysed case studies, product or process innovations were realised in the framework of restructuring, mainly in cases of business expansion and internal restructuring. Cost cuttings were achieved in about 40% of the analysed SMEs, mainly as a result of internal restructuring.

Together, these changes in the strategic and operational dimension influence the firm's economic situation and competitiveness. More than half of the analysed case studies indicated an improved competitiveness as the outcome of the restructuring. However, among the analysed cases also two companies experiencing a reduced



profitability can be found.

### **Employment outcomes of SMEs' restructuring**

From an employment perspective, restructuring in SMEs mainly affects the staff numbers. Among the analysed case studies, 60% realised a decrease of employment numbers (with not all of them being employer-initiated, and some of them also taking place in cases of business expansion), about 40% an increase (generally higher than the decrease) and 40% a stable employment level (which was often deemed as a success due to the discouraging framework conditions).

Other important effects were on employees' job quality (training provision, workload, atmosphere etc.), perceived uncertainty about the job's sustainability (even in cases which were not at all related to job losses and well communicated that way), and partly also the wage level, working time and work content (mainly related to redeployment or increased autonomy/responsibilities).

### **Public support for restructuring in SMEs**

Public and policy debate on restructuring – often focusing on business expansion, innovation and internationalisation, and since the global economic and financial crisis also putting more emphasis on 'negative restructurings' – generally deals with large-scale restructurings. However, since the recession at least in some Member States also increased consideration of SMEs is visible.

In general, across Europe there exists a wide variety of public and social partner based instruments to support employers and employees affected by restructuring. While some of them are explicitly targeting SMEs, also the more general measures are assumed to be well accessible by SMEs. In practice, however, some elements limit SMEs' access to such general instruments. Examples are a lack of transparency and information about the available instruments, a high level of administrative burden that is more difficult to master for SMEs than for larger firms, support being based on a competition system which is disadvantageous for SMEs that can realise favourable outcomes only at a smaller scale or over a longer period of time or eligibility criterions more difficult to meet for SMEs (e.g. requirement to establish networks with other stakeholders in innovation support).

### **SMEs' demand for public support**

Among the analysed case studies, about 45% approached public support before or during their restructuring, while about 70% hired private consultants. Public support mainly referred to financial assistance in case of business expansion or internal



restructuring as well as to advice in difficult business situations.

About 10% of the entrepreneurs were strongly reluctant to approach public support, either as they did not have information about what support was available or doubts about the quality or value-added of public support, not at least because of the administrative burden involved. Interestingly, there also were some entrepreneurs who saw no need for public support as they were of the opinion that it is up to their entrepreneurial role to solve challenges themselves rather than having other actors doing so (nevertheless, some of them hired private consultants for advice).

### Policy pointers

To further improve the framework of SMEs' restructuring the following activities could be taken or enhanced:

- Awareness raising and information campaigns could contribute to lowering the reluctance of entrepreneurs, employees and business partners (including banks) to deal with restructuring in a timely and supportive manner.
  - One-stop-shops, coordination among all support providers and the offering of integrative support packages could facilitate SMEs' access to external assistance.
  - Restructuring support should follow a more target-group oriented approach, also differentiating within the SME population, and involve low administrative burden and quick reaction times.
  - SME entrepreneurs should be equipped with management skills and tools to anticipate and manage restructuring at firm level, and be provided with access to private consultants or coaches accompanying the business development rather than only being approached in emergency.
  - Support related to access to finance and business growth as discussed in other contexts of SME policies is also relevant for SME restructuring and should not be neglected.



# What makes SMEs different from larger players when restructuring takes place?

## Uncertainty and dependence in SMEs in North region

**Marie-Christine Lenain (ARACT Nord-Pas de Calais, France),  
Thierry Rousseau (ANACT, France)**

Just like other companies, SMEs find themselves confronted with changes which may result in restructuring, jeopardising their capacity to expand and to create jobs. How can we help these companies to get through crisis situations? The difficulties experienced by the companies may provide opportunities for them to transform and reorganise themselves. Some companies may come out of this stronger and better able to stand their ground in a changing and difficult environment. Nevertheless, there is no ideal solution, no single course of action to help these companies move forward.

Where consultancy activities are concerned, three aspects must be considered:

- 1) the company's position regarding its product or in relation to its market,
- 2) the workplace organisation and management and
- 3) social dialogue and the capacity of the stakeholders to pursue and renew the company's corporate mission. It is often by combining these three factors that consultancy activities can be most useful to SMEs.

The experience described here is based on a joint initiative run by the Aract Nord Pas de Calais concerning 12 SMEs in difficulty between 2006 and 2009. These activities involved intervention work (diagnostics and support) in each of these companies performed by the ARACT's assignment managers and consultants.

This intervention work involved a transfer to three institutions (2010/1012, CCI, CGPME, OPCA and 30 SMEs). Numerous other organisations were also involved (DIRECCTE and the Region) in addition to the CCI, UIMN, etc., who were able to further enhance the solution and contribute resources. An assessment of this



initiative by a researcher at the Reims Management School<sup>2</sup> made it possible to model and capitalise on the methods developed by the intervention staff (ARACT and independent consultants).

### **What are the specific characteristics encountered with SMEs?**

The system of action in which SMEs operate includes a number of key specific characteristics. Firstly, there is the role of the manager/owner. He is heavily “committed” both in the history and management of the business. The company may have been an inherited family business and/or a personal venture in which the manager has invested everything. Furthermore, he is “involved” in the “interpersonal” aspects of employment and labour issues with the workforce.

This situation will encourage him to go “all out” and sometimes to “dig in” when facing problematic decisions, “wasting” company resources. The risk is then one of isolation in a decision-making system based on the legitimacy of a single person and on secrecy. Several manager “profiles” are possible here, ranging from the omnipotent/omnipresent manager and the strategic manager (who deals with external contact), who delegates day-to-day management decisions to a team. In the case of the omnipotent manager who controls every aspect of the company, this can be a source of fragility for the business. The ARACT Nord Pas de Calais’ experience has confirmed this in a number of situations.

Where staff representation is concerned, here too these companies share a number of specific characteristics. Trade union representation is low and badly organised. There is neither a Works Council nor a Health, Safety & Working Conditions Committee (in most cases). Relations between the management, the staff representatives and the staff as a whole are not particularly formal and are based on interpersonal contact. The elected representatives lack training and are often unable to fulfil their “early warning” role concerning economic matters or working conditions.

However, what could be considered in some cases as a handicap can also be an advantage: in SMEs we find a high degree of proximity between the decision-making processes and the implementation of the chosen actions. The command chain is short or even non-existent. Communication can be more direct between those taking the decisions and those implementing them. All decisions are quickly applied to all processes. To facilitate their adoption, the necessary changes certainly benefit from more flexible and relatively supple structures.

<sup>2</sup> Rachel Beaujolin, *L'action collective “anticipations des mutations économiques dans les PME” menée par l'ARACT Nord Pas de Calais (The “anticipating economic changes in SMEs” collective action carried out by ARACT Nord Pas de Calais), 2009. Assessment report.*



## Intervention in a SME experiencing difficulties

These difficulties may be detected by external parties able to “spot” the signals these companies are giving off: the departure of qualified staff, the non-payment or late payment of “compulsory” contributions (OPCA, URSSAF, etc.), low investment levels (including in safety and maintenance, etc.) Sometimes, it is the employees who initiate contact with the ARACT. This may concern a problem related to psychosocial risks. This type of risk can be a symptom of a deterioration in the overall company situation, regarding both a worsening of its working conditions and its performance. (“We need to get moving otherwise we’ll all go under together”! explain the employees). It may be observed that the turnover and earnings are both down. The situation is the result of a combination of factors from outside and/or within the company. The company’s external environment may have substantially changed (the importation of lower cost products or the introduction of new standards for example). The range of goods and services proposed by the company has perhaps not been updated in sufficient time to enable the business to face up to a new competitive environment. Dependency on a single supplier or client may also produce consequences which are prejudicial to the operation of the company. Often, the struggling company bears the effects of decisions taken by remote decision makers and no longer has the capacity to anticipate the impact of these decisions on its operation. The manager may appear out of his depth or isolated, becoming increasingly secretive, particularly when he does not appear to have easy access to external resources (banks, advice and business support programmes provided by the local authorities), which are “reserved” for “healthy” companies in France.

He may also be under strong pressure from “experts” to adopt a short-term accountancy-driven view, with the result being inevitable job losses. This situation generates a climate of suspicion and mistrust at a time when the workforce are already concerned for their future employability and are seeing jobs being lost around them.

This type of consultancy assignment is based on a central concept: that of anticipation. To avoid job losses and to limit the risk of brutal change, it is necessary to tackle these issues sufficiently far in advance. Companies benefiting from the consultancy service must still have sufficient resources and room for manoeuvre available to them. In the proposed language, their situation should be neither too “hot”, nor too “cold”. “Warm” is the expression which frequently crops up, and which refers to companies whose medium to long-term future is under threat but which still possess sufficient resources to turn the situation around.

When anticipating restructuring, it is vital that any outside adviser gains the manager’s trust and confidence, which means a readiness to listen attentively to his problems and difficulties. This is a priority and a prerequisite for any organisational or strategic transformation process, in order for him to be able to make plans. With this



intervention, the manager “agrees” to review his position and the manner in which the system of action specific to the company operates. Building a bond based on trust and confidence with the manager is vital at this stage. It is important both to allow him to “retake control”, to rest assured that he can be the person managing the project, while at the same time ensuring he accepts the importance of increased understanding of strategic challenges and involvement of employees and the other managers in the decision-making process.

In half of the companies seen by the ARACT Nord Pas de Calais, the intervention work began with the drafting of a strategic plan. The initial questions focused on the company’s strengths, its available skills and the various options which could enable it to achieve a new productive positioning policy. As an example, this may involve abandoning high-volume production in favour of a greater variety in the types of product produced. This was the case for a company in the food packaging sector. It may also involve refocusing production and products to embrace new uses (by reducing the amount of business in the furnishings fabric market in which a company had specialised up until now). Other companies may choose to specialise in complex or unique products (manufacturing large diameter components for the boiler industry for example).

For the ARACT, the key aspect of its intervention lies in the capacity of all stakeholders to work together to come up with a new development plan for the company. The challenge is not simply to get the employees fully behind a “plan” defined by an expert, but to ensure that they can participate closely in the resulting management decisions. The task is therefore to increase the collective resources available to the stakeholders to deal with changes and to come up with a plan for the company, and its organisational structure, which will guarantee its economic viability.

Firstly, the goal is to “improve” things and to carry out an in-depth assessment of the current situation. The goal here is to come up with a shared assessment of the causes of the problems to jointly identify possible solutions (“rather than arriving with preconceived solutions for preconceived problems, we help the manager and the employees to understand the problem and to jointly examine it from all aspects” explained a consultant). This stage is an essential one in the process: “I didn’t know where to begin, there were so many things to be done! But as soon as we were able to describe the problem, the solutions were obvious,” stated a manager.

The second task is to build up a new organisational structure making effective use of existing skills or by developing new ways of working. In all companies, the corporate recovery project has been built on differentiation through shortening lead times, improving quality, innovation, complexity and responsiveness. This new corporate positioning policy is usually based on skills available within the company.

Some individual skills, which have often been “abandoned”, have been given a new lease of life (which requires that they be identified beforehand). Some managers



are genuinely astonished that these unused skills have been brought back on stream so quickly. However, it is collective skills, deployed effectively for new organisational and management goals, which are essential in order to support any strategic plan. This includes better “regulation and anticipation” within each team, the delegation of powers by the management, greater support for people taking initiatives, improving cooperation and building more comprehensive jobs and careers, etc. These significant changes for all employees are representative of the changes experienced by the company itself.

The experience acquired by the ARACT Nord-Pas de Calais has made it possible to model a method allowing for dialogue as part of a joint committee, including the company manager, the mid managers, staff representatives or the employees themselves, in the absence of staff representation bodies. This committee meets in the presence of the case worker during the first months of the assignment. Initially, the many questions, uncertainties and tensions requiring responses make this indispensable. Later, the project takes shape and joint activities allow for a more fluid and flexible approach to managing the project.

### **A company case study: Surgelés**

Surgelés is facing a range of difficulties derived both from changes in its marketplaces and its incapacity to respond to this, at least initially, by deploying all available resources. This frozen seafood products company is experiencing considerable difficulties and is facing decisive changes. For 20 years, the company enjoyed significant growth. Over the last few years however, it has suffered the effects of changes in the practices of the mass retail sector, with clients now ordering products directly from suppliers based overseas. Sales are falling and income is in the red. The company must trim its workforce (particularly its supervisory staff) and is rightly concerned about the future, as industrial relations have sharply deteriorated. The ARACT has proposed a two-stage intervention programme: 1) The drafting of a new business plan aimed at diversifying the company’s markets, 2) The development of an organisational plan in order to be better able to anticipate production peaks and troughs, to reduce constraints and to give operators greater room for manoeuvre in the factory. The activity groups have met on several occasions, in addition to a joint supervisory committee. The challenge is to develop a participative approach when it comes to defining workplace organisation and activities. The factors in question are essentially concrete in nature: the anticipation of orders, the reliability of services, and the reduction of fatigue and job burn-out.



## A “learning exercise” allowing for modelling and wider deployment

These initiatives developed in the Nord Pas de Calais region have undergone assessment by Rachel Beaujolin from the Reims Management School. The assessment was a learning exercise as it modelled the descriptive criteria of companies, in terms of internal resources and external positioning (Uncertainty and Dependency), criteria which also correspond to the conditions for support and areas of action.

Regarding the resources, what exactly are we talking about?

The financial resources (these should not be too depleted or the company close to bankruptcy).

- the cognitive abilities of the manager (attitude to change, openness to dialogue and the acceptance of the logic of the various plans, his/her capacity for strategic planning, his/her state of health, the balance between the various roles and skills required: strategist-entrepreneur-salesman-administrator-manager, etc.)
- the existence of social and professional networks (the manager of an expanding company organises meetings and alliances, speaks about his work and is keen to “welcome” and connect with others, while the manager of a struggling company will tend to isolate himself).
- the quality of the management team (the capacity and possibilities for delegation, middle management and internal legitimacy).
- the labour relations climate (the existence of tension, mistrust of the statements made by the management, openness and communication concerning the challenges facing the business)
- the management of competitive aspects (lead times, quality, innovation, prices, etc.)
- the state of the equipment (machines, premises, etc.).
- the skills of the workforce (independence, professionalization, versatility, multi-skilled capabilities).

The assessment allowed the external factors to be described - the company is exposed to:

- uncertainty: loss of visibility on future orders, sudden changes in standards or processes (changes in legal standards, end of public subsidies, changes in consumption methods, production methods, purchasing habits), rise in costs without corresponding rise in prices,
- dependence: dependence on clients (in terms of proportion of turnover or number of clients, relative size of contractors, ability to affect demand) and dependence on suppliers.

The assessment, carried out involving 7 managers out of 12, has shown that for



companies the internal resources were increased “to match the level of” or “above” the risks of uncertainty and dependency, 1 to 2 years after the start of the support.

The same method was used in 2011 by the ARACT, involving 8 companies among the 30 supported as part of the 3 joint initiatives that followed, confirming this analysis: the internal resources increased in all companies, in 7 of them, the resources were “in excess of the external risks”.

To conclude, it is important to underline the progression of the support provided towards a strengthening of internal social dialogue. The experience gained by ARACT case workers and by consultants, as well as their appropriation of the methods for supporting companies in difficulty, enables them to reassure the manager and staff representatives in carrying out this joint work. Lastly, it should be noted that 9 of the 12 first companies are now “in good health” and are operating under improved working and organisational conditions, and job losses for all of the companies combined were few (less than 10).



## Part 2

### SMEs Individual initiatives and Job transitions

Transverse Analysis  
Articles



# SMEs individual initiatives and Job transitions

## Transverse analysis

**Ola Bergström**  
(School of Business, Economics and Law, Goteborg, Sweden)

In all Member States there are various types of measures to facilitate the transition of dismissed workers to new jobs, the most common of which is job counselling. The purpose of counselling services is to stimulate, at an early stage in the process of restructuring, individuals who are threatened with redundancy to think through their career options and strengthen their chances of finding new employment. Experience shows that the earlier individuals enter such programmes, the better (ARENAS, 2010). Such measures are often provided by the public employment services, but the role of the public employment services in cases of restructuring is sometimes limited. Most often programmes organised by the public employment services are addressed exclusively to those who are already unemployed and there are no programmes for people threatened by unemployment.

There are several examples of employers buying transition services for their employees or of employers and workers organizations providing services to dismissed workers. Often, this goes beyond legislative requirements, or is achieved through collective agreements at national, sectoral, regional or company levels. In several Member States (Sweden, Germany and France), there is an emerging outplacement service industry or private employment agencies that provide such services, but in most countries, this market has not developed owing to the lack of demand for such services.

Counselling services are often combined with other measures, to support the transition of redundant workers to new jobs. These include various forms of economic support to provide a secure transition to the new job and a range of training activities. There are also examples in Member States of legal regulation of the period after redundancy so as to facilitate the transfer to new employment, such as notice periods or special leave periods, to allow a search for new employment. In some countries, there are legal requirements placed upon employers to set up a social plan or provide outplacement services to redundant workers, as for example in Belgium or the



“safeguard plans” in France. Measures to support dismissed workers’ transition to a new job are, however, most often the result of agreements between the social partners and sometimes with contributions or intervention from the State. In France, an inter-professional agreement has introduced a personalised transition agreement, which offers workers affected by redundancy, in firms with fewer than 1,000 workers, psychological and social support, skills assessment, and vocational guidance and training (ARENAS, 2010). Another example is the “March 2009 Pact” in the Netherlands where the social partners, together with the Ministry of Labour, agreed on setting up a network of 33 regional Mobility Centres, with the purpose of guiding employees threatened with redundancy, as quickly as possible, towards another job. In Germany, social compensation plans are the principal outcome of negotiations at company level between employers and works councils on restructuring, providing a number of measures to help employees find alternative employment. In particular, so-called ‘job transfer schemes’ (Transfermaßnahmen) have become particularly prominent in recent years. In Italy social partners have set up bipartite bodies, so called Cassa Integrazione (CIG), Wage Integration Funds, which provide temporary layoff schemes, for eligible organisations.

### The coverage problem

A problem with many of these measures is that they are most often covering only large companies, and not to the same extent the small and medium sized enterprises. For example the Italian Wage integration funds are only offered to enterprises with more than 35 employees, thus excluding the micro companies that form the basis for Italian economic development. The workshop elaborated on several possible reasons for this structural exclusion of SMEs.

One of the reasons is the legal restrictions on collective redundancies. In several member states there are only legal restrictions on large-scale collective redundancies, for example Italy, where rules for collective redundancies are only valid for companies with more than 15 employees. On one hand, this means that SME employees are more exposed to job insecurity and threat of job loss. On the other, there are no incentives for employers to set up any measures, such as transition schemes or other forms of support for redundant workers in their social plans when they are implementing collective redundancies. SMEs are exempted from such requirements and therefore do not do provide such services to their redundant workers.

Another reason may be found in the public pressure on larger enterprises initiating redundancies to provide measures to redundant workers, as a way to compensate for the damage they cause in the local labour market. It becomes natural, by matter of size that smaller enterprises are not exposed to such public pressure and therefore do not initiate particular measures to support their dismissed workers on a voluntary basis.



A third reason for SMEs not to provide measures for managing transition is that they have limited resources. Larger companies have resources available to allocate resources to provide redundant workers with transition support, even when economic conditions are difficult. To ensure a good reputation, both internally and externally, they may therefore be willing to provide generous support to their redundant workers. For SMEs such resources are more difficult to mobilize and there is a continuous problem of timing of restructuring measures. As illustrated in the workshop, in several cases, there is a tendency among SME managers to postpone restructuring measures, rather than initiating restructuring at an early stage, when there are resources available to finance it.

The Olyslager case illustrated the importance of early intervention in structural change. The company started a restructuring process when they were still doing well. They wanted to broaden the focus of the company. They started a new ware-house for coatings, for furniture etc. They developed a different product line. They split up into two connected enterprises. The sales representatives had to learn how to sell and advice on the two products. The early intervention implied that the company were better off when the financial crisis came. In fact, the preparedness for change implied that they could take on the crisis as an opportunity.

Finally, the workshop also illustrated the specific industrial relations situation for SMEs that make it difficult for SMEs to develop innovative measures for restructuring through social dialogue. SMEs do not always have works councils or local trade union representatives. This means that constructive and trustful dialogue between social partners is more difficult to create and sustain. The case studies illustrated some of the difficulties associated to this, for example how trade unions threaten to strike in order to protect the jobs of their members, rather than taking the survival of the companies into consideration and how managers were hesitant to sharing information to their workers representatives, either because of identity and authority reasons, or simply because they regarded social dialogue as a form of espionage. In large companies structures for social dialogue and workers representation are more developed, which may have consequences for the employers' interest in providing transition support to redundant workers.



### Social dialogue for managing restructuring in SME:s

The workshop, on the other hand, provided several examples of how social dialogue could contribute to developing measures to manage restructuring in SMEs and examples of how social partnership could enhance the capacity of SMEs to manage change, rather than the other way around.

Country	Bilateral fund	Coverage	Time scope	Type of measures	PES involvement
Italy	The ELBA ( <u>Ente Bilaterale Lombardo dell'Artigianato</u> ) in Lombardy	Craft sector micro enterprises	Temporary	Short time working schemes	Yes
Sweden	The Job security Councils, (TSL and TRR)	All companies employing blue collar workers or white collar workers independent of size	Permanent	Transition services	No
Netherlands	The Sectoral Training Funds, financed ACO, <u>Anti Cyclisch Opleiden</u> (Anti Cyclical Training),	All companies in Painting Sector	Temporary	Anti Cyclical Training	Partly

The table above summarizes and compares the key features of these funds. They are all examples of funds developed by social partners to be used for measures related to restructuring for SMEs. They vary, however, in terms of coverage, continuity, what kind of measures they are providing and the involvement of Public employment services and or government funding.

First, concerning the coverage of the different foundations, the Italian and Dutch measures are covering companies in a particular sector. The job security councils are organised according to the different occupational areas in which collective bargaining is negotiated, in this case the blue collar workers and the white-collar workers respectively. The Swedish case does not only provide services to SME:s. It works as a form of insurance policy, where all employers share the risk, both small and large companies.

Second, the time-scope of the measures is different. While the Dutch and the Italian examples are temporary measures to manage a particular crisis, the Swedish job-security councils are permanent bodies providing transition services to member organisations continuously.



Third, the type of measures provided is also different. The Italian ELBA, focuses on providing short time working schemes for SMEs. The Swedish job security councils provide only transition services to support workers to find new jobs. The Dutch construction unions and employers found each other in a special initiative enabling 'VET recognised' companies suffering from the crisis to invest in training with the help of the sector as a whole.

Fourth, Public employment service and government involvement varies between the three cases. In the Swedish case, there is no government funding involved and the relationship to the public employment services is rather strained. The Italian ELBA case is based upon a collaboration between the public employment services and is financed partly by government funds. In the Netherlands, the Trainee part of the programme, was financed through government funds, while the training part was financed by sectoral training funds.

## Conclusion

The comparison of the different experiences shows that social dialogue can contribute to the development of measures to manage restructuring, not only in times of crisis, but also on a longer term basis. However, the time-scope and coverage of these measures vary. There are also specific conditions and problems regarding restructuring in SMEs even if measures are available.

Second, since SMEs usually do not engage in restructuring activities on a day to day basis, they often do not have the experience or knowledge about the measures available to manage restructuring. Furthermore, SME employers do not always have information about the collective agreement and the availability of measures and support. This means that employers hesitate before they initiate restructuring activities and perhaps continue their operations too long resulting in long-term losses and risk of bankruptcy, instead of initiating a process of restructuring that could enhance the economic viability of the firm.

Third, since the services and measures included in the programs are not generally provided for workers with alternative work arrangements (fixed term contracts and part time employees), many employees in SMEs are not eligible to the services even if their employers are part of the agreement. Thus, even if many employees are, the most vulnerable workforce is not covered by these restructuring measures.

Fourth, since many SMEs do not have local trade union representatives at the work place, it is often the trade union representatives who have knowledge and experience of how to use the measures provided. Therefore the interpretation of how to manage redundancies or to find alternatives to avoid redundancies by developing the business often comes from the trade union representatives. On the one hand, the measures



agreed upon through social dialogue provide a form of leverage for trade unions, a way to make a difference in the local workplaces and for their members. On the other hand, the employers are limited by the information provided by the local trade union representatives and are not always aware of the alternatives to dismissals and legislative requirements that are available to them. However, since social partners are involved in and agree upon the measures available for restructuring, there is a sense of ownership and local adaptation to the needs of the businesses and the people working in the sectors. Thus, social dialogue can contribute to managing restructuring.



## SMEs individual initiatives and Job transitions

From a stable and traditional family company  
to a professional and innovative organisation

Wim Sprenger (Opus 8, the Netherlands)

### Introduction

The innovation process of the family company Olijslager illustrates the problems and possibilities smaller and medium enterprises have in coping with changes in markets, clients and competencies needed. The strength of a small and regional rooted family company can turn into disadvantages when its environment faces substantial changes. Which support can be used, which role is their, for workers to co-develop an SME during the change process? How can the company keep its core values and transform them into new structures, decision making and activities?

Olijslager Paints BV is a 60 years old wholesale family owned company, distributing paint, wallpaper and tools. With thirteen sites and more than one hundred employees Olijslager has for decades been the market leader in the North of the Netherlands. Olijslager's strong position is nowadays based on customer focus, innovation, expertise and reliability. To achieve and to organise this, the company had to renew itself, its structure and its organisation.

From 2002 Olijslager has transformed from a family owned wholesale company, focusing on one product range, into a professional wholesaler offering a broader range of products and services. It had to invest in knowledge, innovation and reliability, without losing its historical profile of strength and pride which had been its trade mark from the moment Geert Olijslager started his company in 1954. This was a tough and sometimes heavy process for owner(s), management and workers alike.



## Pioneering (1954 - 2000)

The northern part of the Netherlands hosts hundreds of small and bigger painting and maintenance companies. Big paint producers like Sigma and Sikkens serve many of these companies directly or indirectly via wholesalers. One of these is Olijslager, from its birth in 1954 connecting paint producers and small regional companies.

When Geert Olijslager started his company in 1954 he focused on entrepreneurial competencies in the company ('sales') and happy clients ('a client centered business strategy'). As one of the older workers characterizes this strategy: 'It is part of our genes to do everything for the customer. If a customer got short of a can of paint, we would step in our car and bring this can to the client.' Owner Geert Olijslager was an active participant in the regional communities, and made this a core aspect of the sales strategy of the company. One of his typical statements: 'You need to meet and contact the client by the back door, through relationships. And once you are there, you sit at their table and you start talking. It is no good if you have to ring the bell at the front door...'

Early in the nineties of the 20th century Geert Olijslager passes away. Until 2002 his wife runs the business together with general director Bruens. The two of them do the entire decision making – this is clear for everybody within Olijslager. The rest of the employees are supposed to be executors of what Mrs. Olijslager and her director decide.

The business grows and flourishes. During the pioneering phase (1954 to 2002), turnover rises continuously and expands its number of location to six. In its market the company is recognised as a sympathetic wholesaler for all customers. However due to the strong increase in sales Olijslager encounters the limits of its growth. It is unable to maintain its level of service. Agreements with customers are not always fulfilled. A client ten years later: 'The service was not always good. In the end we left at Olijslager. Mrs. Olijslager wanted to do everything for the customer. But the organization could not always deliver. Olijslager mission statement in those days was: Olijslager has it; but we said to one other than 'Olijslager is just not having it...'

It was not easy for the company to change its orientation and organisation. Olijslager had always worked with various deliverers, consciously opting for a multi-brand-policy. It was convinced its clients could only solve the various challenges in their market if they could choose from a diversified assortment of paint products. Within this principle of diversification however their clients turned out to be rather conservative



in their choices and preferences, which meant Olijslager believed it had to copy this orientation to serve them best. As van de Bunt & de Vos (2012) put it: 'The painting sector can be described as conservative and at the same time dynamic. The painters themselves could be characterized as conservative: "I cannot take risks with a new type of paint to work. If the paint falls down within a year I will have lost my reputation. I like the paint I'm using at the moment and I won't change it." Painters prefer working with the same kind of paint during a longer period of time. They want to know which stroke and how much paint are required for a particular surface. A wrong calculation would immediately affect the profitability of their work.

Against this background Olijslager was in a bad position to successfully innovate in the products offered to clients and in the services provided. Its traditional clients did not push for change, not did the workers.

### **Restructuring and change management innovation, new structure, training and knowledge investments (from 2000)**

The growing tension between its core values and daily practices gives the company energy for change. Olijslager stills want the most reliable wholesaler in its region, on the basis of visible expertise and customer focus. That is how the company started, the business started and how it wants to present itself in the future. Near the end of the century within Olijslager awareness arises that the internal organization can no longer cope with the growth of the business. The leadership hires an external specialist, bank manager Hans van den Berg as deputy director for the organization. His main task is to restructure inventory management and to professionalize and automate the business as a whole.

Van den Berg's approach is a break with the past. He gives responsibility to employees to contribute to improvements. Options for changes, developed with staff members are immediately turned into realization. In his own words: 'In teams, we explored what went wrong in our way of working. At a quarter past five we took some Chinese food, we grabbed the flipchart and came up with improvements. This helped us building trust within the layer below the directorate. These middle managers got more involved. I appreciated their contribution and was genuinely interested. If there was tension between new ideas and the current structure, then I tried to rise above the actual situation which focused the energy on the right topics and not on the conflict.

Our projects were always performed by two or three persons. If their suggestions



did work we put them in the spotlight. I gave priority to develop intrinsic motivation. The main elements I did communicate with the owner and top management. But once we were successful I made it visible, in time or Euro's. We also converted the progress we made immediately into customer-focused actions. The number of complaints decreased and thus the return on investment improved incredibly. I gave the staff a lot of information. Of course once in a time that information is wrongly communicated to colleagues - or worse: to customers. But I look at that as a moment to meet and sit together to learn from our mistakes.'

The company's new ambition became clear: staying a classic wholesale company 'at the front door', where customer focus was key. But at the same time the 'back door' should be developed towards a full professional organisation, fit for innovation and expansion. The changes planned would intervene in customer processes, business strategy, technical and administrative systems, the corporate culture and ownership of the company. It turned out to be a process of trial and error.

The first step was a reorganisation of administrative processes and business operations. The second step to broaden the range of products. A third step was a stronger market focus, 'from reactive to proactive'. Not everybody could live up with the process started. The commercial manager: 'Creating a safe environment was key. It was safe to say what you thought. Hans could be trusted, he listened. No one would abuse the things you said. This does not mean that everyone in the organisation was pleased with the changes implemented. Many employees left. They liked the (clarity of) hierarchy and just performing your tasks. Moreover the middle managers had always had a lot of autonomy. If they wanted something changed they just stepped in with the director and then it was OK. Nowadays they are supposed to cooperate with the employees in their location to find the best solution together. They had to leave their passive attitude behind, which was also the result of the hierarchical control.'

The changes introduced are not acceptable for all employees. Some leave the company and with them important expertise. The company decides to invest more systematically in the expertise of its staff. To boost the knowledge level of the employees Olijslager starts a partnership with CIBAP (the training center for painters). The partners develop an eight-day evening course for all employees who have direct customer contacts. In parallel Olijslager contacts suppliers (paint producers) running sales trainings. Olijslager staff participates in these trainings and can at the same time achieve new specific product knowledge from behind the walls of the supplier.

At each of its sites Olijslager appoints an experienced employee as practice



supervisor for VET students in a dual system or doing their traineeship in the company. These investments in training lead to a general increase of knowledge among the employees and to binding new talented youngsters to the company, having knowledge about the latest products and techniques. Olijslager is chosen as 'training company of the year' in 2003, and will be nominated for this honorable title two more times.

### **From family company to division of powers (2006)**

Mrs. Olijslager dies in 2006. Within the group of heirs no one is available as a successor in the role of operational director. This is one of the usual threats of continuity in SMEs. Van den Berg speaks out he is ready to take over operational management of the company in combination with a shareholder ship. A conflict with the heirs develops and escalates. The change manager of the years before feels unrecognized after years of hard work. In the end a mediator is hired. The mediator reconstructs a dialogue between the heirs and van den Berg.

In the days of Mrs Olijslager shareholdership and company interest were concentrated in one person. Now a solution has to be found to separate these interests. Both one of the heirs and van den Berg get 48% of the shares. The rest, 4% of the shares are for a new Foundation (three governors, one appointed by each of the main shareholders, the third chosen by these two. This structure turns out to be a nes basis for professionalization of the company. The three governors develop into a good sparring partner for director van den Berg and shareholder Olijslager.

### **Olijslager in the crisis**

The process of professionalization and innovation continues during the crisis. Van den Berg and his employees stress the need to stay innovative, even in periods of economic downturn. Olijslager introduces new and innovative products, innovative partnerships and new (outlet) concepts. Part of Olijslager's innovative strategy is the way it helps spread the innovations developed by its suppliers/producers. One example is the introduction of water-based paint, environmentally and from a health perspective a better product for both environment and the painters themselves. Despite these advantages many painters do not (want to) use water-based paint. To encourage them Olijslager organizes training on water-based paint for its own staff. As a follow-up it then invites the regional painters for training on the subject. The



economic crisis has reduced their workload and they have time to attend. The clients very much appreciate these courses, as they still less had work for a course with this new product. These courses are appreciated by customers, who value the expertise of Olijslager staff in this new field.

The entire industry faced troubles during the recent crisis. The renewed Olijslager however strengthened its position, even by take-overs of some competitors. Turnover rose from 14 to 23 million Euros during the last ten years. Hans van den Berg was selected as 'entrepreneur of the year' in 2008.

In 2012 he left Olijslager. After a sabbatical he started as a consultant at Consultancy UNO. Looking back at his Olijslager years he confirmed the important role of the owner/manager of a smaller company in coping with developments in the environment: 'I'm not really an admirer of heroic leadership. But it is undeniable that the manager/owner plays a huge culture-bearing role through exemplary behavior and the propagation of the daily mission and vision.' Van den Berg also reflects on social dialogue in SMEs. Olijslager has had a works council and its happy with its role in the change process: 'Consequently they would send back questions which were the responsibility of line managers. However they controlled the transparency of the answers to the questions put forward'.

Trade unions have not been involved actively in the change process. Van den Berg does not regret their absence: 'Olijslager has no collective agreement and therefore no trade unions on board. In my eyes a big advantage, since this kept barricade behavior outside the company.

Van den Berg left Olijslager, although the company survived the crisis rather smooth? Eurofound surveys show that the transition from a family company to 'family at distance' company can be a difficult and threatening process. What about van den Berg at Olijslager?: 'This is even for me still a delicate and difficult issue. It could not go well. It is very difficult to finish this process unscathed and make progress. I had a lot of fun but it took all of my energy after 12 years. Number two may reap the benefits after me.'



## References

Boonstra, J. (ed.), *Leiders in cultuurverandering, Hoe Nederlandse organisaties succesvol hun cultuur veranderen en strategische vernieuwing realiseren* (Leaders in cultural change, how Dutch organisations change succesfully their culture and realise strategic innovation), Van Gorkum, 2012.

Bunt, L. van de, de Vos, C, *Samen weten waarvoor je staat; Van familiebedrijf naar innovatieve handelonderneming* (Know what you stand for; From family business to innovative business concern), in Boonstra 2012.



# SMEs individual initiatives and Job transitions

## Investigating the role of job security councils in SMEs restructuring

Rebecka Arman, Ola Bergstrom (University of Goteborg, Sweden)

### I. Introduction

Robert is 51 years old and the owner and manager of a small-town supermarket located 15 minutes by car from a small city in Sweden. In this small town the population is about 3 000. The super-market sold groceries and everything a household might need for daily sustenance. Despite the fact that all the major chains and hypermarkets are within a few kilometers distance (Lidl, Willy's, ICA, Coop, etc), the store has managed to keep most of the grocery sales from the locals in the village. According to Robert, this success was a same-day delivery system with fresh groceries from the wholesalers that deliver to them.

Robert has been running this business for 22 years together with his wife. He comes from a family of entrepreneurs and started his career working for his father in a fish-smoking business. Now his children in turn work in the supermarket together with their parents. In total 6 people are employed, plus three students who work on an hourly basis during the summer and vacations when the demand also increases in the shop.

Through all of these 22 years Robert has only had to let go of employees two times. The most recent case was after he noticed that the percentage of turnover coming from the cost of labor had steadily increased to a level that he found unacceptable (11-12 %). His main task in the business is to keep track of all the paper work and do administrative duties such as constant Health and Safety evaluations that are required, the ordering of goods, and of course keeping the books. He carries out a monthly follow-up of turnover, costs and return. Wages have been increased in the last several years by 5-6% in the collective agreements, while the prices have not increased at the same speed (deflation, last year), he explained. Robert said that the employees noticed that the work-pace was going down. They were a bit too many in the store.



The costs of loans and credits<sup>3</sup> with the banks had also increased, until he realized that by changing banks he could lower this cost substantially. Robert thought he could cut the costs by reducing the working hours of one of the employees to a part-time job.

In this situation, Robert called his union representative, who is a woman whom has been his contact at the local “union club” for several years. He always invites her for coffee when she is in the neighborhood. But this day she came even if there was no coffee. Robert asked all of the employees to take part in the discussion about the situation. Robert says that it is better that everyone is informed about what is happening at the same time. At the meeting, the union representative then explained that the last-in, first-out legal restrictions would have to be followed, but informed about the Restructuring insurance. Robert didn't know that he had been paying for this insurance, as part of the collective agreement, for many years. The union representative explained that any employee whose contract is terminated is eligible for training support and job-transition coaching as well as the possibility of a grant for starting your own business. This implied that instead of reducing the working hours of one of the employees he or she would be dismissed and therefore would be eligible for support through the Restructuring insurance. But this would imply that the reduction would affect the last person employed.

Robert, the union and the person last employed (Johnny) agreed that it was better for him to be dismissed and apply for the Job Security Council support. Letting Johnny go was not the Robert's first choice, since he was a very good and experienced, 55 year-old employee. Someone else who was working part time filled the extra hours.

The union representative sent a list of job-coaches to Johnny. He had to choose which job coach would suit him best. The Job Security Council would later pay for the services. Johnny was trained as a truck operator for warehouse storages and got a new job that he was happy with, according to Robert, his former employer. The money for this support was first paid by Robert and then reimbursed by the Job Security Council. This was one complication that Robert did not understand. Why could the Job Security Council not pay the coaches and training directly?

All in all, Robert was satisfied with the restructuring process. The labor costs had been cut so that the margins and return was secured. He was currently in the process of hiring again since one of his daughters was gone as an exchange student for a year abroad and due to being diagnosed with Parkinson's, Robert also needed to cut down on his own working-hours. He said that today he worked 60-80 hours per week.

Robert regretted that he had not known about the insurance for restructuring. He said that there are so many rules, regulations and insurances that it is impossible for

---

**3** *The super-market needed credit for early pre-orders of products sold during holidays such as Christmas.*



him to keep track of it all. He suggested that an easy to read information folder about this insurance should be produced in order to inform SMEs who do not have the time to read formal documents and fine-print on the collective agreements.

### **1.1 Background**

The case of Robert and Johnny is a typical example of restructuring in SMEs in Sweden. In all Member States there are various types of measures to facilitate the transition of dismissed workers to new jobs, the most common of which is job counselling. The purpose of counselling services is to stimulate, at an early stage in the process of restructuring, individuals who are threatened with redundancy to think through their career options and strengthen their chances of finding new employment. Experience shows that the earlier individuals enter such programmes, the better (ARENAS, 2010). Such measures are often provided by the public employment services, but the role of the public employment services in cases of restructuring is sometimes limited. Most often programmes organised by the public employment services are addressed exclusively to those who are already unemployed and there are no programmes for people threatened with unemployment.

There are several examples of employers buying transition services for their employees or of employers and workers organizations providing services to dismissed workers. Often, this goes beyond legislative requirements, or is achieved through collective agreements at national, sectoral, regional or company levels. In several Member States (Sweden, Germany and France), there is an emerging outplacement service industry or private employment agencies that provide such services, but in most countries, this market has not developed owing to the lack of demand for such services.

Counselling services are often combined with other measures, to support the transition of redundant workers to new jobs. These include various forms of economic support to provide a secure transition to the new job and a range of training activities. There are also examples in Member States of legal regulation of the period after redundancy so as to facilitate the transfer to new employment, such as notice periods or special leave periods, to allow a search for new employment. In some countries, there are legal requirements placed upon employers to set up a social plan or provide outplacement services to redundant workers, as for example in Belgium or the “safeguard plans” in France. Measures to support dismissed workers’ transition to a new job are, however, most often the result of agreements between the social partners and sometimes with contributions or intervention from the State. In France, an inter-professional agreement has introduced a personalised transition agreement, which offers workers affected by redundancy, in firms with fewer than 1,000 workers, psychological and social support, skills assessment, and vocational guidance and training (ARENAS, 2010). Another example is the “March 2009 Pact” in the Netherlands



where the social partners, together with the Ministry of Labour, agreed on setting up a network of 33 regional Mobility Centres, with the purpose of guiding employees threatened with redundancy, as quickly as possible, towards another job. In Germany, social compensation plans are the principal outcome of negotiations at company level between employers and works councils on restructuring, providing a number of measures to help employees find alternative employment. In particular, so-called 'job transfer schemes' (Transfermaßnahmen) have become particularly prominent in recent years<sup>4</sup>.

A problem with many of these measures is that they are most often covering only large companies, and not to the same extent the small and medium sized enterprises. There are several possible reasons for this. First of all because there are in some member states only legal restrictions on large-scale collective redundancies, implying that employers implementing redundancies are obliged to set up transition schemes or other forms of support for redundant workers in their social plans. SMEs are exempted from such requirements and therefore do not do provide such services to their redundant workers. Another reason may be found in the public pressure on larger enterprises initiating redundancies to provide measures to redundant workers, as a way to compensate for the damage they cause in the local labour market. A third reason for large enterprises to provide transition measures is simply that they can afford it. Larger companies have resources available to allocate resources to provide redundant workers with transition support, even when economic conditions are difficult. To ensure a good reputation, both internally and externally, they may therefore be willing to provide generous support to their redundant workers. Finally, in large companies structures for social dialogue and workers representation is more developed, which may have consequences for the employers interest in providing transition support to redundant workers.

The Swedish Job Security Councils, which are based on collective agreements between social partners, is an example of a transition measure that covers all enterprises independent of size and sector. In this case study we explore in greater detail the characteristics of job security councils and the way they provide transition services to SMEs.

---

**4** *These schemes were first developed as a way of coping with the restructuring that was taking place following the unification of East and West Germany in the early 1990s. Under these schemes, employers offer workers an annulment of their existing open-ended contract in exchange for a fixed-term contract with a third party specifically created for such purposes, a so-called transfer company. In return for giving up legal employment protection by voluntarily entering into a fixed-term contract, workers receive a temporary extension of their employment beyond the notice period, plus outplacement-related services generally delivered by the transfer company. For the employee this is attractive as it avoids, or postpones, unemployment and means that they can have access to immediate and more effective services than those offered by the public employment service; for their part employers are absolved of legal responsibility for their employees.*



## 1.2 Employers and social dialogue in Sweden

As with trade unions, Swedish employers are highly organised. The largest peak organization for private employers and their associations is the Confederation of Swedish Enterprise (Svenskt Näringsliv – SN). SN comprises roughly 57,000 undertakings engaging more than 1.5 million employees. There are several groupings or employers' associations in different sectors of the economy. Their role in the field of restructuring is to negotiate with their respective counterparts general agreements or so called Employment Security Agreements that provide a framework for how restructuring should take place in their respective segment of the labour market. These agreements display a great diversity which may not be fully explored at length in this chapter. For a good overview and in depth analysis of employment security agreements, see Sebardt (2006).<sup>5</sup>

The structure of collective agreements are important for understanding the role of employers in restructuring. Employers bound by collective agreements are obliged to inform and consult trade unions on any important change in the enterprise that has an impact on workers. This is the starting point of any collective redundancy in Sweden. The employment protection act further stipulates how dismissals should take place, primarily through provisions regarding selection criteria for whom to dismiss, which are semi-compulsory. However, since the application of these rules often mean that employers have to dismiss those workers who are most recently employed, employers have a strong incentive to sign agreements with their trade unions regarding restructuring. Such agreements may include provisions for alternative ways of selecting workers for dismissals. It is also common that social partners agree upon a clause saying that "during the time period of the agreement, amendments and supplements to the provisions of the agreement is negotiated under obligation to maintain peace." This means that employers have very strong incentives to come to an agreement. If there is no agreement the employer has to follow the seniority rules. Most often this barrier is overcome by offering dismissed workers prolonged dismissal periods and transition packages, including job-search training, counselling and other activities to support workers transfer to other jobs. Such processes occur in most large companies in Sweden, but they differ in terms of the detailed outline of the processes and the agreed upon conditions for dismissed workers. There are also different alternatives available for how to select workers for dismissals. A popular solution to the problem of selecting workers for dismissal has been the use of voluntary departures. This means that workers are offered a relatively generous transition package if he or she is willing

---

**5** *There are Agreements for the Maintenance of Employment Security, aimed at avoiding or eradicating the redundancy scenario without dismissals, containing mainly preventive measures. A second form is Agreements for the Promotion of Employment Security, directed at settings in which the redundancy has already materialised. These are situations where the location or identity of the affected employees has been established and in which employment termination is an inevitable component. The third form are Agreements on Severance Payments, focusing strictly on pecuniary measures following the redundancy dismissals.*



to leave the company voluntarily.

Transition programs are primarily set up by the employer in cases of large scale dismissals. Smaller companies, for obvious reasons, do not always have the resources to offer such programs to their workers. Since workforce reduction often takes place when the company has problems of profitability it means that resources to care for dismissed workers are limited. However, for small and medium sized enterprises collective agreements play an important role through the so-called Job Security Councils, which provide transition services to workers who are dismissed by employers who are members of the relevant employers' association. Dismissed workers from SMEs (or small workplaces) also represents the lion share of participants in the Job security councils activities. For example, as shown in figure 1 below, around 80 percent of the people who received transition support from TSL (the job security council for blue collar workers) were previously employed in SMEs, with up to 249 workers. Thus, the job security councils make sure that not only large enterprises can provide transition services to their dismissed workers. Transition services are widely available for all employees working in enterprises covered by collective agreements and in Sweden this means that almost all workers are covered by some form of transition support in case they are dismissed.

Job security councils are financed by employers paying a fee based on their labour costs, but the use of the services is equal for all members of the job security council. Thus, the job security council operate as a form of insurance system, distributing the risk and costs of restructuring among its members. In other words, this means that workers employed by small and medium sized companies also have access to the services of transition. In the next section we will discuss the different forms of transition institutions in more detail.

## 2. Job security councils

A job Security Council is a kind of non-profit foundation, which provides employees who have lost their job due to collective redundancies support in their efforts to find new employment. Based on collective agreements between social partners in a branch or a sector<sup>6</sup>, Job security councils provide advice and consultation to the employers and trade unions at an early stage in the process, and transition services and guidance to workers who are made redundant. Under certain circumstances the

---

<sup>6</sup> The job security councils that administer and facilitate the support are each constituted by a number of boards that in more or less precise terms decide the scope and content of the support that is granted. The boards are made up by representatives from the different partners involved in the agreement. Half of the seats are allocated to employer representatives and the other half to partners representing the employees.



agreement even makes provision for a financial compensation as a complement to the general state funded unemployment benefits exceeding the so-called A-kassataket (the maximum amount of unemployment benefits a person is entitled to). Should a person find new employment, though lower-paid than his/her previous job, the job security agreement makes provisions for the payment of the difference over a limited period. These activities are financed through companies fees calculated as a percentage (0,3) of the sum of salaries and wages.

In the 1970s, the public employment service was not regarded as providing sufficient support for white-collar workers to find new jobs. Therefore social partners agreed upon establishing this particular organization. Over time such organisations have been established in most segments of the labour market and today there are more than 10 job security councils in operation. The council an employer or employee belongs to, is dependent upon the collective agreement they fall under.

An important step in the direction of generalising job security councils to cover almost all segments of the labour market, was the conclusion of a job security agreement for blue-collar workers between the Confederation of Swedish Enterprise (SN) and the Swedish Trade Union Confederation (LO) in 2004. It covers 900 000 privately employed workers and is administered by the Job Security Foundation (TSL). Not only is this event remarkable for being the first negotiated solution at this level in almost a decade, its potential for influence is even greater outside the arena of national collective bargaining (Sebardt, 2006). Since 2011 the lion share of the Swedish labour force (about 4 million people) are included under such agreements. The expansion of job security council's represents a shift – from the state to the social partners – to deal with the problems of restructuring in the Swedish labour market through central collective agreements. Thus, it may be regarded as a resurrection or return of the Swedish model.

Today, in all about four million employees in Sweden are included under job security agreements. The social partners in Sweden have traditionally taken a large degree of responsibility through labour legislation by means of collective agreements and over 80% of the workforce are in some form or other covered by these types of agreement. The job security councils were established to administer the support that is given in accordance with the respective Job Security Agreements. Their activities are organised under a special legal entity referred to as a Collective Agreement Foundation. This specific form of foundation was created to satisfy important practical needs of the social partners. Among others, one advantage with this type of foundation is that it is exempted from having to pay taxes, under the condition that at least 80% of the foundation's returns on capital are redistributed to the clients.

The job security councils are organized in different ways. Some of the councils have their own advisors and consultants, while other councils serve more as an administrative quality assurance body and outsource the coaching activities to independent coaching



firms. However, job security councils in general have a high degree of freedom to prepare, based on the decisions that are made by the board, the support for each and every employee individually. This possibility of providing support tailored to the needs of the individual can be regarded as one of the strengths of the Swedish job security councils. When questions are raised concerning the interpretation of certain aspects of the agreement or its implementation, these are generally taken up and resolved between the different partners of the agreement.

## 2.1 How the Councils Work in Practice

The work of the councils is usually premised on two ideas: first, that a person who is given notice of dismissal can easily become demoralised and can experience difficulties in adapting to the new situation. And second, that such a change in one's life can in fact have positive consequences and can lead to new ideas, contacts and opportunities. In dealing with these challenges, the idea is that a person might develop both professionally as well as personally and supporting him or her in this endeavor is understood as crucial. This support should also come from the workplace: the employer who is responsible for the redundancy process, the local trade union representatives and the person's colleagues. But then there are also a number of external support resources such as the local Public employment services, the occupational health care services and, last but not least, the job security councils.

The work of the councils is constituted by a range of activities and measures aimed at supporting the dismissed workers efforts to turn the often devastating experience of having lost one's job into an opportunity and finding new employment. The various councils share this objective but there are differences between them when it comes to the timeframe for achieving this. Some councils view it as essential that a person finds a new job as quickly as possible irrespective of what the job is, while other councils view it as more important to guide and support a person towards finding the "right" job, even though this might take longer.

The support activities may include the preparation of an employee profile and individual activity plans, the arranging of job-seeking activities and/or the facilitation of contacts in one way or another with other employers. They may also include financial support, e.g. a salary during introductory training at a new workplace, support for new business creations, various courses, additional training or retraining. Each case is estimated and decided individually according to the person's needs and the councils' representatives we interviewed went to great lengths to stress the importance of the active involvement of the dismissed persons in this process.

Some agreements also make provision for a financial compensation as complement to the general unemployment benefits exceeding the so-called A-kassataket (the maximum amount of unemployment benefits a person is entitled to). Should a person



find new, though lower-pay employment, some of the Job Security Agreements, like the agreement for white collar workers (TRR), makes provisions for the payment of the difference.

On a more general level, the restructuring support activities offered by the different councils display many similarities. Often they are initiated by some form of counselling, guidance meetings or advisory seminars used to determine the state the person finds himself or herself in as well as to inform the worker of what lies ahead. These initial activities are usually followed, if necessary, by further measures in the form of training/education, personal development activities, studies or support in finding new employment starting a new business.

The differences between councils generally have to do with the different contexts within which the agreements have been signed. Characteristically, the work with providing support in the restructuring process is to a high degree dependent on the sector within which the redundancies occur, the situation of the individual workers who have been dismissed, their particular interests as well as the current state of the labour market. When the agreements are signed between the social partners these factors in some way or another play a role. Other differences may lie in the question of who administers and executes the support activities. While TRR, for example, organises and executes everything themselves, including guidance and training activities, the largest council in terms of affiliated employees, TSL, has signed contracts with around 100 suppliers of outplacement services that the local partners can freely choose from. Based on the contract signed between TSL and the suppliers, the local partners can order specific, tailor-made restructuring programs, which are then implemented in the workplace.

Also, because the work process starts at the latest with the dismissals coming into effect, the period of notice is used to a varying degree as a transition period. In some cases production continues during much of the period of notice, in the other extreme case, the retrenched persons discontinue their work activities immediately. The cooperation between the companies and other organisations and the councils however usually works in such a manner that it is possible to carry through restructuring activities during the period in which notice of dismissal is given. In the public sector the dismissed individuals have the right to leave of absence with full pay in order to participate in the activities of the councils. In the private sector, on the other hand, it is sometimes the case that the job security councils cannot work with their restructuring activities during the period of notice, because employers do not allow it.



## 2.2 The Job Security Foundation (TSL)

Approximately 100,000 companies are connected to the system and more than 900,000 blue-collar workers are covered by it. The negotiation between the Confederation of Swedish Enterprise and LO on TSL stretched over a period of three years. Great effort was put into reaching an agreement where both parties could be satisfied with the circumstances surrounding restructuring. The agreement on transition support can only enter into force if the local trade unions and employers agree on termination of employment contracts at the particular workplace and if the employee does not intend to pursue any legal process in order to obtain the annulment of the dismissal. The employer, on its part, guarantees that the transition support should not be used to circumvent employment protection Act (LAS). LAS is based on the principle of “last in, first out”, that is, the last hired is the first to be laid off in the case of a collective redundancy.

The idea of the transition program is to help the individual to find a new job, or to start a business, also to ease the restructuring process for both the company and the local union, and finally to increase the security of the employee during restructuring. A dismissed worker may receive transition support for up to 12 months to find a new job. This is accomplished by the individual together with a job coach set up an action plan for how to go about finding a new sustainable employment for the employee. Transition services are offered at a cost of up to SEK 20 000 (2300 €). The funding is provided by employers covered by the collective agreement paying a premium, currently 0.03% of the wage costs, a pot that can be used when any of the affiliated companies need to take advantage of transition support for their employees. The fees, as is the case with the other councils, are regulated by a collective agreement and representatives of the signatory organisations to the agreement are members of TSL's board. The board members are appointed by the social partners.

### *Organizing TSL*

TSL is a small organisation. Only 12 employees are responsible for managing the job security council. The Job Security Council TSL has signed a framework agreement with about 100 companies to be able to deliver transition services to those companies which are affiliated to the Job security council. This is an important difference in relation to the other job security councils, such as TRR. As mentioned above TRR has an own organisation with employed counselors who provide support to redundant workers at the affiliated companies. According to TSL, there were several reasons why they chose to sign a framework agreement with several suppliers. On the one hand, it was considered that competition between suppliers would lead to a form of natural selection. Those suppliers that did not deliver qualitative services would not survive. On the other hand, competition between suppliers would lead to better services. There has among the employers association always been a strong desire



that the market for transition service suppliers should be based on free competition. TSL has consciously chosen not to build up its own permanent staff of outplacement consultants. Instead, it has made use of the knowledge of restructuring existing in the market by signing agreements with suppliers.

The company and local union together choose the provider of transition services. The local social partners choose the provider of adjustment services, and have the responsibility for the total quality of the transition program. By a co-operation agreement between the providers and TSL, the providers undertake to be familiar with and to accept the conditions of TSL, and the individual guarantees his/her intention to participate throughout the entire program.

#### *TSL and the transition process*

TSL sees its own role as making sure that when a private sector blue collar worker is given notice of dismissal due to redundancy, the person does not become unemployed in the first place or can as quickly as possible find a new employment opportunity or start their own business.

The focus is on transition from one job to another. TSL does not offer support for training or a change of the competence profile of the individual as a part of the transition process.

By and large, the transition process is a process that can be described as follows:

- investigating the person's competence
- clarifying the person's wishes and objectives
- investigating the personal job market, where and with what information the person can imagine to work
  - help with application forms, cover letter and résumé
  - see over different paths
  - create an activity plan
  - support the implementation of the activity plan

On average there is a conversion program financed by TSL in five months.

TSL can:

- help the most permanent workers in the private sector which will be redundant to another work,
  - investigate needs and make an action plan even for those we cannot help to another work,
  - try to create a good transition to the public employment service and the social insurance system.



TSL may not:

- help those who have a fixed-term employment contracts and the persons who become redundant due to personal reasons;
- make it easier for those who have not yet entered the labour market.

Every restructuring case involving TSL is initiated by an announcement of redundancies at a workplace. When the decision of notice is made the social partners can send an application for transition support to the job security fund TSL. In the application, the employer and the trade unions indicate which supplier or suppliers are selected for the assignment. Transition support can never be granted until there is a designated provider of transition services.

#### *TSL register application*

When the application is submitted, TSL signs it and makes a so-called insurance verification. It means to check that those who are affected by the dismissal are also covered by the TSL restructuring insurance. TSL will contact the insurance company FORA responsible for the administration of the occupational insurance for SAF-LO. When the control is completed TSL can announce its decision on the case. As an employee you have the right to appeal the dismissal, an opportunity that the employee, according to the collective agreement, must give up in order to access the transition support via TSL. This means in turn that there is a lag time between the decision to grant transition services is made and until the decision shall enter into force – a so called shortened limitation period covering seven days. After this period the decision enters into force.

The decision to support transition is normally sent to the employer and the trade union at the same time. The decision that transition support is granted specifies the number of persons eligible for support, their names and social security numbers. At the same time, the selected supplier of transition services is informed about the assignment. From the decision date the service provider has three weeks to begin the restructuring process.

The choice of which supplier to use in the restructuring process, shall be made by the trade unions and employer together, but in practice it is often the trade union that decides<sup>7</sup>. There are several reasons for this. First, the trade union, as the representative of its members are continuously involved in restructuring processes. This means that trade union representatives often have more knowledge and experience of the restructuring issues than the employer.

---

<sup>7</sup> A recent survey of employer and trade union representatives shows that 60 % of the respondents thought the trade unions had most influence on which service provider to use.



*“It’s the unions that usually has the greatest insight, because they are involved in the majority of the redundancies and that has the most contact with providers.” (Production Manager TSL).*

However, the trade unions and employers cannot select any supplier of transition services. It is a prerequisite that the supplier has signed a framework agreement with TSL. To sign framework agreement it is required that the supplier has received a request from unions and employers to provide services in connection with a specific restructuring project covered by the agreement, that it is registered for taxation and does not have debts. Framework agreements are standardized and are identically designed for all suppliers. However, the supplier contract signed between unions and employers on the one hand and the provider on the other hand is designed specifically for each assignment and based on the agreement concluded between the parties. The assignment agreement specifies what the assignment should be and what activities should be included. These agreements may vary significantly in terms of content.

#### *Monitoring the transition process*

Each restructuring case is assigned a TSL project manager. The project manager is responsible for following up and supporting the restructuring process.

*“We are responsible for pushing the project forward until it is finished. I’m very much on the phone and talking to Suppliers more often than, but it may be even entrepreneurs, I talk to employers ‘ associations, trade unions “(Project Manager, TSL)*

In order to facilitate the monitoring of the different restructuring projects a Web-based tracking system is available for both project managers and for suppliers. All suppliers in the framework agreement are committed to follow the TSL reporting procedure. This means to fill in information such as start date, end date and outcome of the case in the administrative system.

The follow-up is intended to make sure that suppliers follow the billing procedures, which they are committed to in the agreement, for example, that they do not invoice too early.

*“We are checking all of that too. We really want to ensure that we do not pay out money that is not justified. It has happened that we have demanded the money back from the supplier, for example if there have been errors in reporting. It can also be about other matters such as when the employer has forgotten or did not understand his role or that they are expected to transfer the invoice to cover the cost of transition services to TSL”. (Project Manager, TSL)*

The supplier sends an invoice for the transition services to the employer. The



employer has to pay the invoice, should then require this money back from the TSL. The employers are not always aware of this procedure. They sometimes believe that the costs should be paid directly by TSL to the suppliers.

It also happens that employers do not sign the dismissed workers' application transition support. There may be several reasons for that. Employers who lay off employees often have cash-flow problems, and may therefore not be able to finance the transition services, even if it is during a short period and even if it is a relatively small sum of money. Sometimes, therefore, employers do not want the employees to have access to the transition insurance. Another reason is that employers do not think that the dismissed workers do not deserve any transition support, as one of the TSL Project managers expressed it.

*"There are actually companies who think: -That guy should not have any transition support, because he has been so useless here at work. I'm happy to get rid of him ".*  
(Project Manager TSL)

Such issues are often found on the table of the project manager to solve. There is also a Preparatory Committee at TSL, which handles cases that for various reasons are not resolved. In the Preparatory Committee consists of a representative from the Confederation of Swedish Enterprise, a representative from the LO and the CEO of TSL.

#### *Paying for the service*

When a service provider has begun a restructuring case according to the framework agreements, he/she has the right to invoice half of allocated cost for the transition service, which total amounts to 20,000 SEK (about € 2300). This assumes that the supplier has implemented at least two meetings with the dismissed worker, begun to formulate a customized action plan and also registered a start date. Suppliers report start date directly into the case management system along with the person's name and social security number. According to the agreement, the start date for the redeployment operation must be reported before the supplier may invoice. The invoice is sent to the dismissing employer. When the employer has paid, they can in turn invoice the TSL for their costs. This is a system that often can cause problems and questions. The employer may have trouble understanding how the system works and to understand that it is the contractual partner

*"Sometimes the company simply does not pay the invoice. They rather say that the supplier should make it up with Job security council. But the collective agreement states that it is the employer that has to pay. There's nothing we can do about it. It is the social partners who have decided upon the terms and conditions."* (Project Manager, TSL)



There may also be uncertainty and conflicts about which services you have bought and what expectations are reasonable to have, as on TSL representative explains:

*“Some companies think that suppliers are doing too little to get the invoice”.* (TSL Representative)

A restructuring project should last at most for twelve months from the last day of employment. Under special circumstances, they may last somewhat longer, for example, if the employee is on maternity leave during the transition period. To be allowed to send the final invoice the service provider must report the outcome of the process.

TSL project managers then go through the information the provider has reported into the tracking system. They do a cross-check of the outcome and compile the results. In the event that there is a lack of reported outcomes after 12 months, TSL contacts the supplier concerned to investigate if the supplier has implemented some activities or if there are other reasons for errors in the reporting. Final payment to the supplier can take place as soon as there is a registered file in the administrative system, but not earlier than three months after the transition period has started. It can either be the dismissed person received some type of employment, retired or begun studying or in cases where the person remains unemployed, after 12 months from the start date.

#### *TSL and SMEs*

A large share of the TSL activities is related to SMEs. More than 80 % of the dismissed workers who have been eligible for their services during the last nine years have been employed in Small or Medium sized enterprises.

However, availability of the TSL job security council and its transition services is not well known among the smaller organizations. As the figure below shows among awareness of the transition support gradually decreases the smaller the company.

It is also clear that the trade unions is the most important source of information about the transition support to the smallest enterprises.

### **2.3 The Job Security Council Trygghetsrådet (TRR)**

TRR's history can be traced back to 1973. It was the first job security council to be established; the outcome of an agreement signed between the Swedish Employers' Association (SAF) and the Federation of Salaried Employees in Industry and Services (PTK). The main idea behind the agreement was that both partners wanted to give the white-collar employees of the private sector "something extra" compared



with the various educational and retraining schemes organized and financed by the government through the PES, which had proved insufficient in meeting the special needs of white-collar employees.

The extra service that the partners eventually agreed upon was constituted on the one hand by an added financial support structure, the so-called severance pay (Avgångsersättningen) or AGE, and on the other hand by a support structure aimed at helping dismissed white-collar employees to find new employment opportunities (omställningsstöd) as well as preparing employees for possible future redundancy.

Both of these services formed the basis around which TRR activities began to take shape during the 1970s. To this day they remain the focus of the council's activities. However, according to one manager at TRR the methods used and services offered by the organisation have been continuously refined throughout the years.

#### *Organizing TRR*

The contractual partners in TRR are the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Federation of Salaried Employees in Industry and Services (PTK). The contract covers 32 000 companies and 700 000 white-collar employees (and in some specific cases even other employees) in the private sector, and is the second-largest of the job security councils. TRR today has 325 employees working in 40 offices spread out throughout Sweden. Of those 180 are counselors with an average of 24 years of working experience.

Over the last decade TRR has provided support to 140 000 clients all over Sweden. Its activities are in part financed by the 32 000 affiliated companies as an insurance system for their 700 000 employees. The membership fee amounts to 0.3% of a company's sum of the total payroll for employees covered by the agreement. Companies affiliated via their employers' association in the Confederation of Swedish Enterprises, and for which the job security agreement applies are automatically connected to TRR. For the separately-affiliated employers the fee increases to 0.7%. In total these fees amount to approximately 780 million SEK (80 million €) per year. TRR is organised as a collective agreement foundation and pays out 80% of the revenues it collects every year to its clients, the employees who have been dismissed, in the form of severance payments (AGE) and transition support. With TRR's annual turnover being close to 1.1 billion SEK (approx. 105 million €), the resulting 300-million-SEK-deficit is financed through the foundation's capital.



### *TRR and the transition process*

#### - Financial Support

One of the pillars upon which TRR activities rest is the financial support they grant their affiliated members in form of severance pay (Avgångsersättning). If a person is made redundant due to work shortage he or she may be entitled to AGE. The AGE is a complement to the general income-dependent unemployment benefits. As a result the person is paid 70% of his or her previous salary during the first 6 months and 50% thereafter. In order to be entitled to receive AGE a person is required to:

- have worked for a company that is affiliated with TRR
- been made redundant due to work shortage
- have turned 40 years before the employment ends as well as to have worked for the company for a minimum of 5 consecutive years (min. 5 hours per week) or to have previously been dismissed from a TRR-affiliated company.
- search for employment.

The transition support for those individuals who have been dismissed after 31 December 2003 is applicable during a period of 2 years. This means that if you are dismissed you are eligible to support from TRR to find a new job, and if you find a job which was only temporary you may come back and receive additional support from TRR until your 2 year period is completed. Apart from the financial support, TRR also offers a range of transition support activities, such as early intervention and "Early Risk Service".

According to our interlocutors at TRR, the council plays an important role at different stages in the restructuring process. In the early stage of the process TRR's counsellors provide the employer as well as trade union representatives with expertise pertaining to the restructuring issues at hand. How should the process be organised and where should the focus be placed? Once the decision has been taken on which restructuring strategy to pursue, TRR's focus shifts towards providing guidance and support to the employees affected by the restructuring activities. For this purpose a number of tools and methods, described as characteristically Swedish, have been developed over the years. These methods are not static, but need to be continuously "refined", in the words of one of our interlocutors, in order to fit in with the rapidly changing business environment.

One of these tools is the so-called guidance counselling. Every dismissed person has a personal guidance counsellor who guides him in along the career path. The process is usually initiated when a company representative or trade union representative contacts TRR and informs the council of dismissals in the organisation. A counsellor then visits the company meets with its leadership as well as trade union representatives and presents the TRR organisation and their work procedures for supporting leaders



and trade union representatives in their work with restructuring. The counsellor also meets with the employees in question and presents the work procedures of the council, before finally meeting with each one of the affected individuals in order to discuss the future strategy for the person, e.g. how often the counsellor and the redundant employee are going to meet for individual consultations.

Apart from the guidance counselling, TRR offers the so-called Early Risk Service (Tidig risk tjänst), intended as an anticipatory measure focused on career planning and directed at companies and employees that in one way or another may be affected by redundancies. Through various activities such as personal consultations, professional support in the personal development process, career planning, the setting up of goals and an activity plan and in conjunction with TRR's in-house recruitment service, the aim is to better prepare employees for possible future dismissals. It is not required for the individuals participating in these activities to be earmarked for dismissal. On the contrary, the service is intended to be used before redundancies are defined in terms of individual employees. The idea behind Early Risk is to provide competence development activities for employees and thereby strengthen their competitive advantage on the labour market independent of whether they remain employed at the company in question or not.

As is generally the case when it comes to employing the services of the Job security councils, the company and the local trade union have to be in agreement concerning which groups of individual employees may use the Early Risk service. In other words, there is no negotiated redundancy at this stage in the process, but the employer representatives and the trade union representatives should be in agreement that there is redundancy at the company. The period during which the service is offered is usually between 3-5 months long. It may be terminated earlier if TRR as a result of discussions with the company in question decides that the redundancy situation in the company is unclear.

TRR has faced an increase in competition from outplacement companies. In 1993 legislation regulating the PES's monopoly on employment exchanges was abandoned. Soon afterwards, temporary work agencies flooded the Swedish market, followed by a number of international as well as local outplacement companies. From having been the only player on the market, TRR suddenly found itself facing a plethora of competitors and in 2004 the TSL agreement for blue-collar workers mentioned previously put even more pressure on the council's business activities.

As a consequence of the competition from outplacement companies, an increasing number of companies choose to terminate the contract with TRR when it comes to the provision of support during restructuring. One reason for doing so may be that the company wishes to organise and administer the restructuring support on its own or in conjunction with the trade unions. It may also be the case that a company intends to employ the services of other outplacement agencies, TRR's competitors on the market:



From the stable system we had previously where TRR was a large actor, and there were a few other smaller ones, we have now entered a new one. Nowadays, many new actors come into the market and are very aggressive, and are able to challenge TRR because of the financing arrangement we are subjected to. They do so by saying to our members “sit down and negotiate with your local trade union organization and reach an agreement on going to TRR and getting out 19 000 [SEK], so that you can pay my services. As a competitor of TRR we can help your company and see to it that your dismissed find their solution a lot faster than at TRR”. Sometimes it works, and sometimes it doesn't work. [TRR representative].

However, it is not possible for companies to terminate the AGE payments as these are part and parcel of the collective agreement. A company may however terminate the part of the agreement concerning the restructuring support from TRR. In order to do so, the employer representatives and local trade union representatives concerned have to agree on the termination of the contract. If the contract is terminated, the company is paid 19 000 SEK for each person concerned, i.e. affected by the restructuring activities.

In those cases where the employer and the trade unions reach agreement on terminating the contract with TRR this affects the individual employee in that she will not be given support or advice by TRR in her efforts to find new employment.

Once the decision has been taken by a company and trade union to terminate the agreement with TRR, there is no turning back. If the individuals who are affected by the termination of the contract between their employer, their trade unions and TRR do not find a new job, either with or without the help of other outplacement agencies, they cannot come back to TRR at a later point in time and in order to get support and advice. Once the contract is terminated this right is revoked.

The number of companies that chose to terminate their contracts with TRR is still relatively small and not more than around 50 of the affiliated 32 000 companies have done so. But, according to one of our interlocutors at TRR, there is an increasing tendency among the companies to do so. It is especially the smaller companies that choose to terminate their contracts. According to our interlocutor, the smaller companies are often the ones that cannot afford expensive extra activities in a restructuring context and are more than happy to collect the 19 000 SEK per individual. The larger companies, on the other hand, generally have the financial means to pay for the support and, if needed, extra support activities aimed at guiding their employees through the restructuring process. They either organize the support themselves or hire outplacement agencies. According to the council's representatives 140 000 clients have found some form of solution – new employment, starting a new company or engaging in studies/training – through their support. It took about 8-10 months for 90 % of the clients to find a new solution with 80% returning to a similar or higher job position with the help of the council, retaining or even increasing their salaries. TRR takes these figures as proof that the council's strategy – of working towards



getting their clients into the right jobs as opposed to just any new job, referred to as “refinement work” (förädlingsarbete) – pays off.

### 3. The Job Security Councils and public employment services

There is a widespread assumption among practitioners and academics alike that active labor market policies are important to fight unemployment and the PES is often given an important role in this endeavor. When the first job security agreements were signed in Sweden in the beginning of the 1970s they were seen as complements to the PES. During those years in the wake of the oil crisis, private white-collar workers were suddenly faced with large-scale redundancies. Previously this group of workers had been left unscathed by the economic changes. Now without much warning many of them found themselves without work. The PES traditionally bestowed with the task of helping them to find new employment as quickly as possible were perceived by many employers' unions as well as private white-collar workers' unions as incapable of supporting their affiliated members and incapable of performing the task they had been given. As a result of this development, the first job security agreement began to take shape as a result of negotiations between the private employers association and white collar workers' trade unions.

To view the job security agreements solely as a support measure for employees affected by dismissals is assumed by its proponents to paint too narrow a picture. The agreements are also understood as contributing to the smoother facilitation of structural change and improving the functioning of the labour market through an individual matching and upgrading of competencies<sup>8</sup>.

As such, the tasks of the labour market policy and the PES on the one hand and the job security councils on the other hand coincide to a certain extent. However, the two pursue different goals and answer to different principals. Labour market policy is an instrument within the framework of the general economic policy and as such is intended to contribute to the fulfilment of economic and political goals, such as for example the equalisation of economic situation. On top of this, the Labour Market Board acts as a public authority in relationship to people seeking employment, for example, when it comes to unemployment benefits. The job security councils on the other hand explicitly focus on the individual with the goal that everyone should find new employment. They have the freedom to choose their own methods and tools and make their own decisions about the kind of efforts that are needed with regards to every individual's situation in relationship to the current situation on the labour market, and they enter the restructuring process at a much earlier stage (see fig. 1).

---

<sup>8</sup> This argument is probably best symbolised by one of the slogans used by TRR: “Att hjälpa marknaden på traven” (Helping the market on its feet).



For example, the social partners within the private sector, on the basis of the job security agreements, assume that affiliated employers and employees take advantage of the possibilities that, among others, the PES has to offer. This has in some instances resulted in cooperation between TSL and the PES. Notwithstanding the cooperation taking place, from the job security councils' perspective the cooperation with public authorities including the PES is generally seen as rather limited (Bäckström, 2006).

Furthermore, the fact that the job security councils are seen as a complement to the PES and not intended to replace it, means that apart from problems that may arise such as the "creaming off effect" (see e.g. Bredgaard & Larsen, 2005). The creaming-off effect connotes the situation where the unemployed workforce is divided into those who are highly competent and prone to quickly slip into new employment and into those workers who may be described as "difficult cases", those workers who experience psychological problems or physical illnesses or lack the competencies and skills that are required by the labour market. The competent workers in demand on the labour market move quickly through either the job security councils' or other outplacement companies' transition support programs. The difficult cases remain in the programs and at the end of the transition period they become unemployed and either remain in the program or are transferred to the PES. As a consequence the PES has to handle the difficult cases, while all the competent, easily employable persons are taken care of by other actors either private outplacement companies or the job security councils' programs. In the longer term this may have consequences for how the responsibility for managing the consequences for workers made redundant due to restructuring is organised between the involved actors, both public and private, on the labour market.

#### 4. Conclusions

The argument we have pursued in this report is that job Security Council's provides a solution to the problem experienced in many other European member states to provide transition services to SMEs. In Sweden almost all employees independent of the size of their workplace and enterprise are covered by collective agreements, which in turn provide conditions for establishing job transition services in case employees are made redundant. The results of these transition services are impressive. About 80 percent of those who lose their jobs find new jobs within a period of 7 to 8 months. However, our preliminary survey of the impact of the Job security agreements among SMEs in the retail sector shows that there are also specific conditions and problems regarding restructuring in SMEs even if the job security services are available.

First, since SMEs, in particular the smaller segment of enterprises, are often family businesses or characterized by friendship relationships in the workplace, other considerations than financial are made when redundancies or restructuring is at



stake. It can therefore be difficult for employers to manage restructuring through for example dismissals because of the sensitivity of the problems. In Sweden employees with family relationships are exempted from the legislative requirements of last in first out when selecting workers for dismissals, implying that other considerations have to be taken, which does not always create a good working environment among remaining employees.

Second, since SMEs usually do not engage in restructuring activities on a day to day basis, they often do not have the experience or knowledge about the alternative approaches to avoid redundancies. Furthermore, SME employers in Sweden do not have information about the collective agreement and the availability of the transition services. This means that employers hesitate before they initiate restructuring activities and perhaps continue their operations too long resulting in long-term losses and risk of bankruptcy, instead of initiating a process of restructuring that could enhance the economic viability of the firm.

Third, since the job security agreements do not generally provide transition services for workers with alternative work arrangements (fixed term contracts and part time employees), many employees in SMEs are not eligible to the services of job security council's even if their employers are part of the agreement. Thus, even if many employees are, the most vulnerable workforce is not covered by these transition services.

Fourth, since many SMEs do not have local trade union representatives at the work place, it is often the trade union representatives who have knowledge and experience of the job security agreement and the transition services available. Therefore the interpretation of how to manage redundancies or to find alternatives to avoid redundancies by developing the business often comes from the trade union representatives. Thus, on the one hand, the job security councils provide a form of leverage for trade unions, a way to make a difference in the local workplaces and for their members. On the other hand, the employers are limited by the information provided by the local trade union representatives and are not always aware of the alternatives to dismissals and legislative requirements that are available to them.



## References

Bergström, O., Broughton, A. & Triomphe, C.E. (2010) EU Synthesis Report, 27 National Seminars, Anticipating and Managing Restructuring, European Commission, Brussels.

Bäckström, H. (2006) Omställningssystemets agenter och försäkringar på den svenska arbetsmarknaden – bemanningsföretag, försäkringsbolag, myndigheter och trygghetsråd i helig allians? Stockholm: Arbetslivsinstitutet.

Bäckström, H. (2005) Omställningsbranschen och omställningsavtalet mellan Svensk Näringsliv och LO. Stockholm: Arbetslivsinstitutet.

Bredgaard, T. & Larsen, F. (eds.) Employment Policy from Different Angles. Copenhagen: Djøf Publishing.

SACO (2005) Kundperspektiv på Arbetsförmedlingen. Stockholm: SACO.

SOU (2002:59) Omställningsavtal – Ett aktivare stöd till uppsagda. Betänkande av utredningen om omställningsavtal. Stockholm: Fritzes.

Struyven, L. (2005) "The New Institutional Logic of Public Employment Services", in T. Bredgaard & F. Larsen (eds.) Employment Policy from Different Angles. Copenhagen: Djøf Publishing.



## SMEs individual initiatives and Job transitions

### The organization of well-being in a local SME

**Sebastiano Bagnara (ISTC-CNR),  
Franca Galgano (TEUCO), Michela Vian**

TEUCO was founded in 1972, and soon became a very successful company by creating innovative solutions for the bathroom environment, which, until then, was conceived just in terms of functionality and never thought and designed as to be esthetically appealing. The production has become wider and currently consists of bathtubs, showers and shower trays, combi-units, wash basins and sanitary texture, Turkish bath, bathroom furniture and hydro spas.

The rapid growth of TEUCO contributed to the socio-economic development of the area (a valley, in the province of Macerata in the Marche region), where its headquarters and the premises are. There, it has been operating since its foundation, giving rise to an important industrial district through the development of a network of firms, supplying Teuco with satellite manufacturing processes (e.g., plastic molding, assembly, wiring), and services.

During thirty years, Teuco reached up to more than 500 employees (in 2001), and strongly influenced and interacted with the local educational, mainly at the vocational level, system. It contributed to the development of high education and research systems, by collaborating with the main Universities of Marche. Teuco have funded many research and innovation projects that have produced a number of patents, and participated in the creation of high level competences and skills.

To summarize, Teuco has to be seen not just a company, a plant, but rather the core of a socio-economic system that has transformed in a few dozen of years the social relationships, the culture, and the economic activities, the lives of about all the people in an area with a population of about 40.000 inhabitants.



## The crisis

The global financial crisis, with its consequences on Italian building industry, has had heavy negative impacts on the economic performance of the company since 2008. The solid financial position, built up along the previous years, has allowed Teuco to face the crisis by investing also in innovation for new materials (the patented acrylic-based new material “Duralight”), and new technologies and by searching new markets: In 2012, its export increase of about 25%, compared to the previous year, when the performance was about the same. Teuco has become an export-oriented company. However, the decrease in the domestic market has not been compensated by the brilliant performances in export, mainly, towards Russia, Brazil and Arabic Gulf countries<sup>9</sup>. Consequently, the employment has decreased down to 350. The figures refer to Teuco itself, but they are far more dramatic if one considers the Teuco system at large, with the network of manufacturing processes and services suppliers.

## The social dialogue

The fair relationships with the Unions, built during the years of growth, allowed the company to mitigate the dramatic situation by searching shared solutions through an intensive social dialogue approach.

The social dialogue centered on facing the crisis has taken place at the very beginning of it with all stakeholders, both at company level, with employees’ union reps (RSU), at province level, with main trade unions (Femca-Cisl, Filtem-Cgil, and USB), and with the employers’ organization (Confindustria Macerata). Finally, at regional level, the Marches’ Region has played the role of a facilitator to activate social shock absorbers.

The social dialogue has allowed the development and implementation of a consensual recovery plan that comprises a number of coordinated actions

## Actions

It was convened that many production processes and services, previously out-sourced, have to be brought again within Teuco premises. In order to avoid lay-offs, a defensive solidarity agreement has been adopted, so weekly work-time has been reduced for all.

---

<sup>9</sup> *It is worth to be noticed that unfortunately the cultural preferences of new consumers are modifying the Italian design style of the production for complying with the new various and different cultural demands*



It was agreed the temporary suspending of about a hundred workers, having a substantial economic support (provided by the framework of Cassa Integrazione Guadagni Straordinaria – Extraordinary Redundancy Guarrantee Fund). It was convened that people leaving Tueco for any reason would not be replaced: no more turnovers, then. Part-time, early retirement and voluntary mobility followed by monetary incentives, support for relocation and specific outplacement programs have been also used for the crisis management.

It should be noticed that these are the usual measures in organizational restructuring. The social partners, however, while convening that they were facing a structural change, maintained that they were willing to preserve and develop people knowledge and skills in order to be ready when the crisis would be overcome. By following this strategy, they agreed that the crisis and the change process have to be accompanied by educational actions, involving a significant percentage of the staff (3 out of 10), those affected by dismissal and those that will participate to the re-launching of the company.

This action was named “Organizational wellbeing”, and it is still in implementation.

### **Organizational wellness**

The global action plan was agreed upon by representatives of company, workers and managers, and of association local employers, and was approved by the regional bodies both for the restructuring action, and for the knowledge and skills preservation and employees’ development program, that is the “organizational wellness”.

By following the Hires recommendations and methodology, people involved in organizational wellness have been subdivided into three categories: the middle management and managers, the sandwich category, who are both the implementers of the restructuring process and objects of the same process; the victims of the restructuring process, that is the employees on the verge of definitely losing their jobs; and the survivors, those employee who were likely to keep their job. Each category entered dedicated actions.

All managers and middle managers had been involved in workshops focused on identifying and implementing, throughout the whole organization, actions for facing, countering, and overcoming the crisis and for governing the change.

They have been involved in coaching-oriented initiatives to support them in coping with the pressures derived from changes. Workshops and coaching activities lasted from September to March 2013, for a total of 120 hours.



The victims have been involved in group and individual counseling, aiming at skills assessment, analysis of the current job market, and techniques for actively looking for new professional positions, even in terms of self-employment. They have been offered also English language courses, which started from February and finishing on May 2013.

The survivors have attended five courses, called “Strategies of well-being”, whose topics had been identified by managers and middle managers in their workshops. About seventy people (employees and workers, from different departments, of both gender, and varying in age) have been involved in training about change management, team-work, creativity and self-commitment: All these themes proposed as tools for overcoming the crisis and for the promotion of a positive “inner work life”. This part of the program started in April and is going to finish on May 2013.

All active staff, survivors and sandwich (the two categories with reduced work hours because of the solidarity agreement) have took up courses in foreign languages (Chinese, English, German, French, and Spanish) aiming at internationally recognized high level certifications. This would support the process of internationalization, and also facilitate potential internal or external placement and replacement. There are also cross-culture initiatives, mainly special events, such as lectures by foreign guest speakers, or movies in foreign languages. Self-administered courses in four European languages to improve, individually, language skills, are also available, and very often taken. These initiatives have already been started, and welcome by the participants with a lot of interest and enthusiasm. About sixty people had already been involved in foreign language training, from September 2012 to April 2013.

The hours of work suspension had been also used for eleven courses on health and safety, aiming at getting recognized certifications, permanent and reusable credits. All the people (about 50) are blue collars of the production department. The courses have lasted and last 64 hours from October 2012 to May 2013.

### Suggestions

In this case study, the Hires recommendations have been largely followed, as for fairness, social support, and communication, and showed to be feasible and adaptable to a specific context. Their application has turned out to be very successful. Maybe thanks to an intensive communication, the participation and the attendance to all the initiatives has been very high. Unions, workers’ and citizens’ associations demonstrated a large and active participation. Mass media at local and regional (radio, TV, and newspapers – even at national level) have given extensive reports of the whole plan and of the specific actions.

Moreover, many people have requested, and still request to give continuity to the



most of initiatives, in particular those concerning foreign languages acquisition and cross cultural events which are formidable tools for opening up the mind and seeing change and crisis as dramatic events, but also as thrust for searching new opportunities

The participation to the various actions gives them people a renovated sense of belonging not only to the company, which demonstrates not to forget its people, but also to professional and social communities that create the meaning of their lives. Furthermore, the high engagement in all courses, not only those in foreign languages, indicates that most of them are not prisoners of nostalgia, but want to master new tools that will allow them to expand their life.



# Part 3

## Restructuring in SMEs: networks and social dialogue

Transverse Analysis  
Articles



# Restructuring in SMEs: networks and social dialogue

## Transverse analysis

Virginie Bussat (ASTREES, France)

SMEs face crisis' negative impacts directly, being weaker than large companies on the European market, it has been written in the past articles. SMEs also have specificities, as regards the unions' contribution to "their" restructuring situations: small companies are not only working without works councils or representatives; it is also **their distance from the centre** (top level decision makers) that makes this type of companies fragile. Unions' central actors are sharing information about restructuring in large companies, or in highly impacted sectors, but the majority of companies, of mid or small size, are not addressed by unions' central managers, neither political leaders at national or regional levels. SMEs have only access to local decision makers. This distance from national issues has an impact in restructuring situations, especially.

Social dialogue is less structured, or quasi absent from internal decisions processes; unions or elected representatives are too close to decision-making process and not even able to prevent situations. Competitiveness and uncertainty on a day-to-day basis remain harder and more violent for smaller organisations. Moreover, **managers in small companies are reluctant to changes** and avoid at all costs, layoffs of workers they are used to work with, and sometimes to be close to. This negative atmosphere is counterproductive in terms of change management. However, innovative practices or local initiatives can be seen in several countries.

The following articles give readers a vision of how SMEs can go through such changes, in the perspective of two potential supportive actions: one is **the alliance of their forces** and sometimes also their weaknesses, through clusters; the other is the **mobilisation of internal resources and workers' participation**. It is essential to note that the company's main actors are part of the productive process - management and workers -, but restructuring situations also gives the opportunity to external partners to contribute to the future of the company and its employees: sometimes managers in SMEs could find help outside the staff and share knowledge or practices.



## “Trust building” instead of negotiating in SMEs

Some drivers of surviving in crisis have been clearly expressed, out from studies (by the Netherlands) or initiatives (from France, Italy or Sweden).

MECALOIRE is a cluster of mechanical smaller companies in a Loire region, coping with the effects of the economic crisis. The project is a form of public support funded by national and local authorities. At the start social partners were not involved, now one local union rep. €500,000 is the yearly budget, from 2010. Core question: How can these companies better deal with the crisis and survive? The idea is **to build company relationships, also with sub-contractor firms**. In 2011 10 companies signed an agreement on anticipatory management of jobs and skills. Project coaches help companies develop competencies and share learning. There is a need for trust building, as a precondition for shared learning.

As said before, restructuring in large companies “often strongly effects SMEs in the region or the value chain where this large company is a player” (W. Sprenger). Small and medium companies are partly performing tasks that used to be the core business of larger companies; staff and managers inherited of this ‘large company’ practices, with the limits of a small organisation.

Social dialogue within and around SMEs has **no real similarities with what can be seen in larger organisations**. Social plans are mainly a topic for social dialogue in big companies restructuring, as EUROFOUND report explains it:

*“Not seldom legislation or agreements between social partners do not cover restructuring in smaller companies, as the number of employees involved per company is too small to create obligations and traditions for restructuring oriented social dialogue” (Eurofound “Restructuring in SMEs”).*

Relationships within SMEs are mostly interindividual, strongly depending on psychological specificities of each employee, and of the ability of each to protect him/her. Defence of employees’ rights is therefore an inter individual matter where social dialogue has a very ambiguous meaning.

Traditional social dialogue reflects a low level of development according to all indicators: 30% SMEs had a European work council (average).

However; information, dialogue, and consultation, are replaced by everyday dialogue in SMEs and especially in micro enterprises. In restructuring decision processes, direct dialogue is the common practice for most employees (less qualified and younger than in large companies). When existing, the employee representative need trust from all (suspicion of being representative for himself/herself). Problems remain unsolved have to become prioritarian (working conditions, wages less important than commercial issues...).



This specific situation in SMEs consequently makes it difficult for trade unions involvement and participation to restructuring processes:

- how can workers representatives & their unions, deal with small scale' restructuring?
- what are the means and resources to be effective and efficient in SMEs?
- and how can they be innovative in such small companies and undertakings, where logics and levers of action are mainly client-oriented?

### Some human practices, more than innovative practices?

In the Netherlands, what the results of one health oriented project showed, is the **importance of good communication, support from management** as a first relevant factor, as "to minimize the negative health effects of restructuring" (N.Wiezer). Due to the proximity of the manager/ owner, the employee(s) and potential representatives, communication might be easier in small companies than it is in large companies. Some SMEs operate on a family or a cooperative basis, and the support coming from the 'head' has positive effects on the reduced staff.

The **lack of initiatives and innovative experiences** as regards the specific social dialogue activities in SMEs facing Restructuring, is a central issue. As such, innovative practices in SMEs are rare or uneasy to identify as transferable practices. Not surprisingly, SMEs are confronted with Crisis in a way that large companies do not experience: it is well known that social conditions are specific according to the closer relationship to employees, and the direct relation of management to employees.

But what is also crucial is that difficulties to cope with restructuring are concrete; psychosocial risks have therefore a specific meaning in SMEs. Noortje Wiezer explains another relevant factor to limit health bad impact: the **level of workers participation** depending to a large extent of the owner's leadership style.

Workers could be promoted as full partners in the restructuring process, either adaptation of internal processes or structures, diversification or business transfers. Eurofound's recent report points out the size of companies and its impact on social negotiations and social dialogue activities. The specificity of social dialogue for small enterprises could be illustrated by "the joint activity of the French social partners on developing a framework for social dialogue in the French craft sector in the beginning of 2000s, by the French employers' federation and UEAPME member UPA"<sup>10</sup>. It

---

<sup>10</sup> See *European Social Dialogue, Achievements and challenges ahead, Results of the stock-taking survey amongst national social partners in the EU Member States and candidate countries, ETUC/ CES/ CEEP/ Business Europe/ UEAPME, Integrated programme for the social dialogue, E.Voss (dir.), Final synthesis Report, March 2011.*



specifies “considering that the head of an SME is the best positioned to express himself on the feasibility of contractual instruments and/or regulatory instruments but also that **employees of an SME is the best positioned to express himself on his needs** within the company”.

Then, as **non-standard forms of employment have been growing**, SMEs are the major employers of these workers. Situation of temporary workers is very fragile in SMEs, as the “first reaction (in Crisis) was withdrawing from engaging temporary agency workers and not extending fixed-term contracts, quite wide-spread reaction in Poland or in the Czech Republic”<sup>11</sup>. Therefore, the social partners’ role is crucial, as regards to workers protection. According to European initiatives and policy recent developments, companies are the “key players”; and SMEs have a crucial part in the economic growth.

In terms of health and well-being improvement, the main difficulties of the restructuring situation in a SME is at first, the staff employment situation, but also, SMEs merit particular attention by public and private bodies such as employers’ organizations and trade associations, chambers of commerce, industry and crafts and other bodies, especially at local and regional levels, with preferential access to credit and to training, as well as suitable measures for cutting red tape.

On that dimension, the role of enhancing the workers employability and minimizing the impact of redundancies is central. The rise of a development strategy **including social partners**, seems to be a good solution, as it brings SMEs to contribute to a common territorial social responsibility.

- as regards credit, in terms of payment deferrals for micro and small businesses, primarily in order to safeguard employment levels;
- short-term debt consolidation to enable micro and small businesses to focus on production, marketing and after-sales services.

There is a transverse differentiation between two types of impact on restructuring in SMEs:

- a territorial impact, and
- sector specificities.

As such, awareness of SMEs is crucial to enhance and to structure, as all companies, even the smaller ones, the less structured ones, belong to a territory, and to associated industrial and social traditions; in restructuring situations, it is obvious that the multiple stakeholders active in companies support policies and in inter industrial relations. Last, but not least, we have to remind ‘the central role of SMEs in the EU economy’, and the importance that SMEs stakeholders at large, collaborate to rebuild their forces.

<sup>11</sup> Kwiatkiewicz A. (2012), *Flexible workers, modern work organisation or buffer arrangements?* Paper prepared for International Conference, Sofia.



# Restructuring in SMEs: networks and social dialogue

## Restructuring and psychological health and well-being: PSYRES

Noortje Wiezer (TNO, the Netherlands)

In 2009 a consortium of four European research institutes started the project 'Psychological health and well-being in restructuring: key effects and mechanisms' (PSYRES). This project was generated within the frame of NEW OSH ERA, which is funded within the ERA-NET scheme under the Sixth EU Framework Program for Research and Technological development.

The aim of this project was:

- to gain insight into the impact of different types of restructuring on the psychological health and well-being of the employees who are employed before, during and after restructuring;
- to examine the pathways through which restructuring affects well-being, for example, the role played by worker involvement and support from the supervisor during the restructuring process;
- to determine which subgroups of employees are at risk of developing psychological health problems and would need special attention during organizational changes;
- to identify effective preventive actions and practical strategies to minimize the negative impact of restructuring and foster positive outcomes.

In this project three research methods were used. We started the project with quantitative analyses on longitudinal data to quantify the health impact of restructuring on employees. To understand these figures qualitative analyses on interview data were conducted. In all participating countries workshops were organized with various stakeholders. In these workshops stakeholders shared preventive actions and practical strategies. Results of the project are summarized in two attached leaflets. The first leaflet concentrates on the main results of the analyses of the quantitative and qualitative data. The second leaflet the results of the workshops are described.



## Health and restructuring in SMEs

Although the PSYRES project was not aimed at SMEs, some of the results are interesting for SMEs.

The results of the PSYRES project show that good communication, support from management and participation are relevant factors to minimize the negative health effects of restructuring. Communication might be easier in small companies than it is in large companies. It might be easier for SME's to:

- make sure all employees are informed at the same time and with the same message
- give the restructuring a face (let a person bring the message instead of sending a memo)
- make it a two way communication, stimulate dialogue
- be available for questions
- be honest and clear about the consequences for employees
- explain the goal of the restructuring.

To be able to communicate a clear message however, a manager/owner should have a clear message. He or she should have all the information needed to be able to make a good analysis of the situation, to be able to select the appropriate measures, to have an overview of the consequences of decisions for all employees. Support of management might also be easier in a small company, where managers are very much involved and close to the employees. But support also involves 'having a Social Plan and help employees that are made redundant'.

The results of the PSYRES project show furthermore that one of the groups that need extra attention is the managers' one. Their job during a restructuring period is not easy: besides managing their department, they are (partly) responsible for the restructuring process, they have to support their employees and sometime have to bring bad news to people they've worked with for a long time and may consider as friends. And all this while their own position may be at stake as well. In large companies it might be possible for managers to seek support with other perhaps more experienced managers. Managers in SME's might have to seek support outside their organization.

Last factor that is important to minimize negative effects of restructuring for health and well-being of employees is participation. Involve and consult employees in the restructuring process, in shaping their new tasks and organization of work creates ownership of the changes among employees. In a small company participation might be easy to organize (see for example the case of the Swedish small grocery shop, described in the paper of Ola Bergstrom et al). In a small company the level of participation is probably to a large extent dependent of the leadership style of the owner.



## Restructuring in SMEs: networks and social dialogue

Anticipating restructuring  
and active labour market policies in craft enterprises:  
the case of Lombardy

**Mario Giaccone (University of Torino, Italy)**

The craft sector in Italy includes a vast array of activities, with different combinations of market dimension and technologies employed. While in manufacturing and construction the traditional productions relying on high manual skills have been overtaken by small-scale manufacturing activities, especially as subcontractors for larger firms, service sector includes both household services - such as hairdressers, bakeries, repair activities - and business services, such as transport. The distinctive characteristics of craft firms is the relevance of firms' owners and their relatives in performing product/services proviso, and the experience-based learning processes for high skilled manual positions, which often coincide with the firm owners.

Competitive factors of craft firms are lower labour costs due to lower payrolls, and high flexibility in manufacturing both in terms of time delivery and specialized services, according to the Piore and Sabel (1984) flexible specialization paradigm.



Fig. 1. Craft enterprises and presence of employees (2006-2010)



Source: Ares 2.0 calculations over Inail data warehouse

Among those craft firms with employees, approximately one third operates in the construction sector (149,818, 32.7%), almost one third in service sector (142866, 31.2%) and more than one third (162694, 35.5%) in manufacturing.

Employees are about one third of the total sectoral workforce: they are at national level 1,031,963 employees (2010 figures), while self-employed 1,948,079: trends along the crisis show that while self-employed almost stable since 2008 (-0.5%), employees considerably decline by 10% with over 113,000 employees lost, mostly in manufacturing and construction (-13%) while in service sector the decline is by far milder (-1%).

Tab. 1. employees and craft firms with employees: Italy and Lombardy

	Lombardy	Italy	Share of Lombardy
Total craft firms	293946	1603828	18.3
Craft firms with employees	83453	459503	18.2
Employees in craft sectors	202031	1031963	19.6
Average employees per firm	2.4	2.2	
Manufacturing	46.3%	43.9%	
Construction	29.5%	31%	
Services	23.7%	25.1%	

Source: Ares 2.0 calculations over Inail data warehouse

Lombardy accounts for 18.2% of enterprises with employees and 19.6% of employees (18.6% in overall employment), with a slightly higher share in manufacturing (37.5%



of firms and 46.3% of employees), having on average 2.4 employees (2.2 at national level).

Employees decline in the craft sectors from 2008 to 2010 is above national average (-11.6%): only Emilia-Romagna, where the sector is strongly specialized on subcontracting in manufacturing, performed worse (-14.5%). The decline of employees in the craft sector is well above the overall regional economy (-0.4%) where self-employed report a by far higher reduction (-6.4%).

The higher share of manufacturing in craft sector reflects the higher weight of manufacturing on the overall economy (26.1% in Lombardy with respect to 20.2% at national level), notwithstanding Milan is the main Italian center for financial intermediation and business services.

The impact of the crisis has been stronger in the craft sector than both national average and the overall regional economy. Employees in the craft sectors decline by 13% from 2008 to 2010 in Lombardy, well above national average (-10%), while overall employees in Lombardy declined by -0.4% (-2.5% overall employment levels), while self-employed increased by 1.1% (+.5% at national level) . Such dynamics are further exasperated in manufacturing: while in Lombardy employees declined by 4.8% from 2008 to 2010 in the overall sector , they fell down by 13.8% among craft manufacturers: during the recession, larger firms re internalize phases usually subcontracted otherwise to smaller ones, most of them are registered as craft firms. Limitations of the administrative sources do not allow to investigate the sectoral distribution at regional level of self-employed, which are almost stable at national level in manufacturing.

Thus, there is some indirect evidence that craft manufacturers act as flexibility reservoir on the behalf of larger firms, both in terms of time, costs and specialization, this latter consistently with the Piore and Sabel (1984) “flexible specialization” model.

Tab. 2: Impact of the crisis 2008-2010 on employees

	Lombardy		Italy	
	<u>Craft</u>	<u>Overall economy</u>	<u>Craft</u>	<u>Overall economy</u>
<u>Manufacturing</u>	-13.8%	-4,8%	-13%	-6,8%
<u>Construction</u>	-13.5%	0,4%	-13%	-3,8%
<u>Services</u>	-4%	2,3%	-1%	0,0%
<u>Total</u>	-11.6%	-0.4%	-10%	-1.9%

Source: Ares 2.0

The central role of unemployment benefits in craft sectors' industrial relations changes

Employees in the craft sector are more exposed to the risk of losing their job:



this is due to the exempt from employment protection in firing for those firms with less than 15 employees, as established by law 300/70, and to the higher volatility in subcontracting chains. Further, they enjoy lower social protection in case of both temporary work suspension and structural redundancies: while their colleagues working in larger manufacturing firms with at least 35 employees can benefit of CIG (wage integration fund) which guarantees 80% of the basic wage with a cap, employees in craft firms benefit only of unemployment benefit, with high eligibility requirements (2 years seniority) and lower substitution rate, which only since late 80s increased to 30% and successively was gradually increased up to 60% in the first 6 months.

As a consequence, suspended employees were used to search for alternative jobs, thus causing a considerable skills lost for their employer. Further, employment conditions in craft sectors were set by the National labour contracts only, contrarily to larger firms, where the probability of company second-level agreements increase with company size. Finally, both assembly and work councils rights were in practices non-eligible in almost the whole sector.

In order to fill these gaps, social partners established bilateral bodies at regional level with the 1987 and 1988 national agreements in order to mutualize these rights by establishing bipartite bodies at regional level:

- to provide of benefits for income support in case of exceptional events (say floods, earthquakes etc.) to workers and businesses in order to safeguard their professional skills, to be summed up to unemployment benefits;
- the exercise of employee representation on a territorial scale (basin, or territorial-level workers' representatives).

These activities were funded by the monetary equivalent of 10 hours (over 20) of working time reduction foreseen by 1983 so-called "lodo Scotti", a national intersectoral agreement revising the cost of living adjustment mechanism, and one hour and a half (over 10 assembly rights), both on a year basis. Employers were left free to pay such a contribution to the bilateral bodies or directly to their employees. The 1992 national agreement introduced a two-level bargaining model, by establishing at regional level the decentralized one.

Along the 90s, regional agreements extended such a benefit for income support to most cases of temporary lack of work: employees in the craft sector could enjoy a 60-70% substitution rate, varying according to regional agreements. According to calculations carried out in Veneto (Squarzon, 1996, Giaccone, 2002), firms adhering to the bipartite body display lower turnover and higher net job creation (+2%). Further, regional agreements introduced further contributions co-financing training activities, quality certification, investments in new equipments, integrative welfare provisos (school books, dental and vision protheses). Bilateral bodies also introduced sectoral observatories at regional level by exploiting their administrative data, providing



member organizations with timely information on enterprises and employment trends, on which relying their sectoral policies.

Finally, in 1996 national level agreement implemented health and safety workers representatives at territorial level with a further contribution, implemented at regional level in 1999-2000. Thus, the overall impact of bipartite bodies was widely positive both in terms of job security, quality performance and lower micro conflictuality at workplace level.

These positive outcomes were challenged by increasing pressure over costs from their clients, especially in the clothing industry, almost disappeared along the 90s and delocated in Eastern Europe: these factors significantly contribute to the turbulences in the 2000s industrial relations alternating ruptures (2000) new agreements in redefining the national model (2006) and separate agreements (2009).

Notwithstanding these turbulences, bipartite bodies were increasingly charged of public roles in training (activation of sectoral training funds), occupational health and safety with a subsidiary role for both public inspectors and occupational health and services, labour market policies as integrating unemployment benefits.

### **Managing the 2008 crisis: the role of ELBA in gaining a new status**

The most relevant change is the extension of wage integration funds to micro enterprises and private service sectors but financial intermediation labelled “cassa integrazione in deroga” (derogating wage integration fund) as a temporary measure in order to face crisis. After a pilot experimentation in four Northern regions amongst handicraft micro-firms (up to 15 employees) in 2003-2005 having suffered delocation, law 2/2009 extended such a benefit to employees of any sector regardless to the size of their company, provided that they sign individually their commitment to participate to any ALMP (active labour market policies) measure social partners and PES agree for her/him on the basis of regional regulation on continuous vocational training, which considerably vary among region both in terms of effectiveness and ability in matching company needs. The 12 February 2009 national agreement between government, social partners and regions allows these latter to use ESF for ALMPs responsible for the implementation of training policies. Individual commitment to ALMPs was the European Commission condition in order to authorize the use of ESF in financing derogating wage integration funds.

Bipartite bodies play a key role for small and micro firms: company-level agreements are signed at their premises and their officials provide technical support to both parts, and they have to pay such a benefit up to 90 days before public resources intervene. The extent of derogating wage integration fund varies among regions,



according to regional tripartite agreements. These latter usually introduce a regional financial support covering a large amount of the costs law 272009 pose in charge of bipartite bodies: in Lombardy these public resources covered in full bipartite bodies contributions, at least until 2012.

Such a central role in complying public policies clearly conflicts with the nature of bipartite bodies as private governments with a voluntaristic participation: in general, craft firms' membership rate to bipartite bodies range from 40% in Lombardy to over 80% in Veneto. Those established in other sectors (construction, commerce, HORECA) show similar rates. There is a clear misalignment between their status of private organizations providing club goods, and their involvement in providing public goods, especially in those cases, such as ELBA (Ente Bilaterale Lombardo dell'Artigianato) in Lombardy, with low membership rates<sup>12</sup>.

Craft sector's social partners in Lombardy were well aware of this problem. ELBA experienced in late 90s a considerable decay in timeliness of provisos paid to both employers and employees due to an organizational structure too small for the largest and more industrialized Italian region, with a drop in membership rate: reorganization in early 2000 tackled successfully the issue, but membership remained stable at around 40% of firms and 60% of employees while in other regions, such as Veneto and Emilia-Romagna, both shares were well above 80%. ELBA inefficiency posed serious risks on employers' associations, as bipartite provisos are part of the package of services they provide to small and micro employers, which are even more relevant than representation, ranging from fiscal and pay roll services, training and consultancy, marketing services, consortia granting a subsidiary bank guarantee. When the quality of one type of service is challenged, it is the overall membership under question.

In October 2008, social partners agree to modify the terms of the 1988 national agreement by setting that non-contributing firms have to implement in full the 20 hours working time reduction while the contributing one would have paid only for 10 hours. Such a revision introduces a trigger mechanism in favour of membership to ELBA without formally removing its voluntary character: while employees are in a neutral position because of fiscal wedge, employers unwilling to join ELBA incur in a by far higher cost (about 250€ per year per employee, plus payrolls, instead of 125€). This agreement, then generalized at national level in 2009-2010, allowed a considerable increase in the contributing firms and allowed to face the boosting demands for wage integration due to economic crisis.

It is worth to stress that the Lombardy agreement was signed one month after the Lehman Brothers bailout and two month before law 2/2009 above mentioned. Such timeliness in providing realignment between private and public interest solved the above describe conflict between public demands and private status. Extra resources

---

<sup>12</sup> This was one of reasons Cgil did not sign the 2009 national agreement revising the national bargaining settings in craft sectors.



collected allow not only to extend coverage from work suspension to temporary reduction in working time due to the crisis, but also to launch new provisos, such as a proviso to both employers and employees applying for parental leave, thus anticipating implementation of the 2009 directive for parental leave of employers and their parental spouses. Further, increased coordination with Regione Lombardia, managing ESF funds, and Fondartigianato, the national bipartite training fund, allowed a wider access to training in order to fit with the compulsory training required by “derogating wage integration fund”.

After a 13 years break, in 2012 regional-level agreement were signed by social partners in the chemical sector introduced a further contribution in order to finance further welfare measures, and considerably increased working times flexibility in order to face demands fluctuations, provided that these schemes are communicated to both territorial-level workers’ representatives and ELBA: such an increase in working times flexibility aims to minimize shock absorbers’ use by preventing abuse at company level. This innovation introduced for the first time in Italy workers’ representatives involvement in micro firms at workplace level, and a transparency role for a bipartite body.

The relevance of ELBA experience is mainly due to the social partners will to move bipartite body from a “useful tool” in order to improve competitiveness of craft, as set in the premises of most agreements from 2003 to 2007, to the “central tool” in order to promote both competitiveness and social cohesion since 2010 agreements. By means of a proper redesign of firms’ contributions, the misalignment between private government producing collective private goods and governmental demands of public goods was reduced without affecting the voluntarism of Italian industrial relations. On the other hand, increased contributions allow to better fit with both employees and employers demands both in facing crisis and in welfare, while actual co-financing required by the new shock absorbers system introduced by the 2012 labour market reform and gradually implemented since 2013 still display inadequate funding from both employers and employees.

## References

Piore M., Sabel C. (1984) *The second industrial divide*. Basic books, New York

Squarzon C., ed. (1996), *Il vantaggio competitivo del Nord-Est* (“The competitive advantage of North-Eastern Italian regions”). Angeli, Milano.

Giaccone M. (2002). “il caso EBAV” (The EBAV case), in Cerruti G., Di Monaco R., Follis M. (2002), *Flessibilità dell’impresa, sicurezza del lavoro* (“Firm’s flexibility, work security”). Angeli, Milano.



## Restructuring in SMEs: networks and social dialogue

A set of companies forming  
a regional & sector-based cluster: MECALOIRE

Virginie Bussat (ASTREES, France),  
Marie Céline Rasclé (MECALOIRE, France)

MECALOIRE is a cluster of SMEs, created in 2010 as a business alliance to face the constant decline of the metal industry since many decades. It's located in a very old industrialized French territory, the Loire district, around the city of Saint Etienne (Rhône Alps region, second one at national level)<sup>13</sup>, one of the active region in metal industry in 19th Century.

However, because the regional territory has developed mostly subcontracting activities, local firms have majorly been small businesses.

In 2009, 23.000 people were employed by the industry. 1.165 companies were specialised in industrial subcontracting activities in Loire. 950 of them have less than 10 employees; only 46 have more than 100 workers.

Companies of the metal sector also suffered from crisis and have gone through staff reductions (the workforce decreased of 10% in one year only, between 2008 and 2009) and re organizations. Some large companies have reduced their workforce or closed some subsidiaries: ThyssenKrupp, Siemens<sup>14</sup>, Ackers, etc. Consequently, subcontractors faced vulnerability of their undertakings and difficulties to conduct business in that area.

In this background, the usefulness of a cluster such as MECALOIRE is to be considered at three levels:

---

**13** The district was considered as one of the most dynamic industrial place of France and Europe thanks to its metallurgic activities (weaponry and cycle manufactories, subcontracting) and its coalmines.

**14** Work councils and unions documents related to the Siemens Restructuring are reviewed on the following Website <http://www.siemensvairmtsasce.com>



- Local level: companies show reactivity in crisis, to contractors and clients ;
- Sector level: specific competencies in the metal industry could be shared and promoted in that collective dynamic, much more than in an exclusive company-focused production process ;
- Company level: it helps them show a will to face economic situation and to look for anticipation and change.

#### Specificities of a regional-based cluster like MECALOIRE

MECALOIRE gathered 30 companies at the beginning; the cluster's membership is now of more than 150 SMEs. The average company size is of 10-15 employees, as some large companies are allied with very small ones.

Each Company joining MECALOIRE has "a clear view of the rules to be respected" (MECALOIRE general Delegate), put together in a written Commitment. One of the main added value consisted in the protection of subcontracting relations and of weak SMEs subcontractors.

The cluster added value attracts new members on a regular basis. Its affiliated companies are totalizing a turnover of 600 million € and employ altogether around 3500 employees.

MECALOIRE main objective was this of an "incubator of businesses and alliances", dedicated to new commercial relations, and more autonomy within the Loire territory and abroad. It was necessary to address their relative lack of access to the internal (and export) markets and to reduce administrative burdens. Moreover, as subcontracting rapidly developed in metal industry, cluster also was a way to avoid bad manners and low tariffs from prime contractors.

- the cluster mainly allows its members to:
  - build common projects,
  - reduce the crisis impact on turnover, on commercial development and on all business aspects.

Funded by public subsidies – the State, the region and district support the cluster though a yearly budget of 200.000 €- MECALOIRE is also supported by Saint Etienne's Chamber of Commerce and by several sector organizations. It is managed by a board and chaired by a president, all members being local Companies' managers. They are assisted by a permanent staff of 3 full time people.



## How MECALOIRE does contribute to reduce the crisis impact?

A more collective process of decision making?

Some measures have been taken even in companies members, such as the decision not to renew contracts of precarious workers (temporary and short term).

“We feel a stability in employment, even if there is no staff recruited. Big companies (such as subsidiaries in automotive industry in Loire) have reduced temporary work, trying to avoid shortages”.

The circulation of information in several groups and the attendance to regular meetings allow some useful exchanges related to one job available or one urgent staff need:

*“There are some examples of mutual help in case of jobs shortages : during one MECALOIRE breakfast, the opportunity was given to a manager to inform about the availability of one qualified operator, and put through his HR manager to transmit contact of the identified person.(...) Also some MECALOIRE members could have access to some best practices in HR mainly.”*

Moreover, it makes people in companies feel less isolated:

*“Each company had to face commercial and financial difficulties, trying to solve it on his own (...) With the cluster, we know that we prefer to die altogether, than that only one company survive, alone” (MECALOIRE manager)*

Some data in Common :

One main method explained by MECALOIRE president comes from the **mapping of existing skills** and know-how; each company shows what its staff is able to do. And one result is the potential alliances on this basis, and contracts can be signed together.

Ex: Areva (the French biggest nuclear constructor) asked PSI (one of the cluster's SME), to build highly specific machines. Lacking the needed engineering expertise internally, Mécaloire president (also the SME's general manager) made an alliance with another cluster's SME, in order to tender together and to “win the contract”.

One other improvement method is the **Working groups and communities meetings** dedicated to processes, products, and integrated solutions for example, welcoming buyers and providers from big groups and SMEs. Their mutual learning about internal processes and practices provides SMEs the needed information.

But MECALOIRE recent challenge consists in the **development of HR management programme for companies (GPEC)**. In 2011 an agreement related to anticipatory



**management of employment** (jobs and skills) has been signed with public authorities and involved 20 companies.

Its aim is to take benefit from their alliance in order **to map jobs submitted to shortages in the mechanical industry**, to plan employment and training needs at the local level, and to improve the HR management in SMEs and especially in very small companies.

This program aims to respond to recruitment problems and companies future skills needs through 4 main phases:

- anticipation: all 20 volunteer companies participating in the GPEC program clearly formalize their mid/long term strategy;
- control: after individual diagnosis and gaps analysis, plans of actions are developed;
- synchronization: a collective opinion is given on each company case; good practices are exchanged in order to develop confidence between each other;
- qualifications improvement: actions are set up; and ideas to improve the GPEC program, especially for next participants.

This is the way companies can balance their forces and weaknesses: the Mecaloire coordinator says how it is useful for one company, decreasing activities, to take advantage from an increasing activity from another in same sector. Other positive effect or added value is the ability of HR managers to optimize and share resources by improving annual interviews, selection of HR reporting, etc. Some staff sharing arrangements could be planned, like those on commercials staff for instance.

Shared working time has also been discussed as one example of cluster's added value. The HR Planning in the cluster is currently being studied. Conditions of feasibility of the Plan as well as management methods will be reviewed carefully (see Mecaloire study, to be finished March 2013).

### **The low level of relationship with social partners**

Generally speaking, involvement of staff representatives is rather limited in SMEs. Regarding the Cluster creation process, social partners have not been involved. First, few companies have their own representatives. And there is a common fear; very few contacts with unions; 10% exclusively have representatives among MECALOIRE Cluster members. There are also very few expectations from relations with those partners.

Several experiences have been bad and *"with limited effects"*; some unions have participated to meetings but *"they only criticized and tried to stop our initiatives"*



(Interview MECALOIRE delegate).

The programme follow-up revealed to MECALOIRE staff that many companies involved have very few social oriented reflections:

*"I thought companies were more "progressive" on HR. (...) Talking about HR strategies with their own staff is not common at all. Managers lack of time and availability, and they always deal with urgent tasks". (MECALOIRE general delegate)*

Employer organization has a more effective contribution, as business development is at the core of the project. However, according to our Mecaloire contacts, if the relation exclusively involving employers and employees show its limits: the future of "employment relationships" is turning towards a relationship between clients and providers.

*"On both sides, we have shown that the traditional relation employer/ employee is almost dead. (...) I try to avoid this relation, and I limit as much as possible the staff recruitment. I replace it by a contractual and commercial relation that is between service providers. I simply buy services to our members"..*

### **HR programme: what involvement of employees and unions?**

The follow up of the HR planning programme gave the opportunity to discuss the outputs of mapping and local results ; these presentations have been realized at management level but not at employee level. There is a margin of maneuver on that side.

Another potential improvement is the stronger participation of one the main union, the CFDT, in the programme, than before. Because of a bad circulation of information between local administration and unions, the CFDT relevant officer has been informed very late about the HR Program. He is now involved and two main results are still interesting to be put forward:

- the fact that unions speak a common language: MECALOIRE has the cluster language and not a company one. So union representative finds it easier to contribute and to exchange;
- the SME s characteristic of a lack of resources gives the possibility to a union to be active: most companies have no HR reference person, and their will to participate to such a program is a good basis according to social partners.



## Synthesis

### A way to fight against SMEs weaknesses

Related to SMEs collective improvement it is interesting to see that cluster is not considering relationships between a contractor and its subcontractors but relationships between several subcontractors. How would relationships with contractors be modified if a group of subcontractors had to be considered instead of a subcontractor alone?

### The need for a collective dynamism to involve social partners

Finally, the social dialogue question has to be asked. Some of local unions for example did not know Mécaloire cluster and its attempt to improve quality of relationship in subcontracting. Nevertheless, it seems that actors from different spheres (managers, unions, third parties) are willing to speak to each other and to collaborate to propose common solutions. This could eventually emerge in clusters. For now, it seems difficult to imagine a similar development between subcontractors and their main contractors.

### Conditions for transferability of the case

If initiative seems to have positive effects on metal subcontractors in Loire, what is the transferability of this case, in other lines of business or other territories? Poles of Competitiveness might be used to develop collective actions<sup>15</sup>. As the HR Planning Program of MECALOIRE began end 2011, it is hard to talk about consequences on members. Moreover, the ongoing study could give some more empirical outputs.

---

**15** Indeed, Poles of Competitiveness gather many companies (they can be principals or subcontractors) whose aim is to develop collective and innovative projects. For now, they have globally based their action on economic perspectives and have not considered the social dimension.



## Conclusions

**Claude Emmanuel Triomphe (ASTREES, France)**

For a long time, restructuring has been associated with big companies, downsizing, massive dismissals, social plans, intervention of social partners etc. But when it comes to small and medium enterprises, it is often different. In this Cahier we tried to identify what are those differences but also to have another look at the issue of restructuring when happening in and to SMEs: in other terms, to look at restructuring not with usual “big company concepts” glasses and bias. We did not pretend to embrace everything: we deepened some aspects that are for us of a particular importance.

### **Some specific characters of restructuring in SMEs**

First of all, SMES is a statistical category mixing a huge variety of companies in terms of size, activities, culture, management, ownership etc... It's a world in itself. EU criteria are not enough to analyze existing dynamics relating to restructuring in SMEs: for example, when looking at companies sizes, you have to take in account not only the micro enterprises, employing less than 10 people, but probably also the threshold of 50/70 people described by SMEs employers' representatives as a very relevant one in terms of internal management resources, like HR. Under this threshold, the SME manager, often alone, plays all main important roles and is deeply involved in what happens to his employees. Another point is that most analyses, studies and policies, distinguish SMES from big companies but ignore almost that many of them are interdependent through subcontracting and offshoring processes for example.

This has several effects when restructuring occurs:

- In SMEs much more than in big companies, restructuring is managed in a very reactive way and lacks of mid/long term strategy. And when highly dependent from big companies involved themselves in restructuring, SMEs are left to manage all economic and social consequences;
- In most cases, SMEs managers try to maintain employees as long as possible in the company and to delay at maximum painful decisions related to dismissals. Dismissal as an ultima ratio is probably more effective in SMEs than in big ones but consequences in terms of sustainability might be variable;



- Ones decisions are made there is very little - or none - space for any internal discussions or consultation and there are very limited resources to support people having to leave the organization.

Another striking point consists in what many observers call “silent restructuring”. Even if there are more SMEs going bankrupt – and therefore dismissing in many case all of their employees – even if altogether, dismissals related to restructuring come more from SMEs than from big corporations, companies and people affected are not in the focus of our societies, in terms of media coverage, in terms of public policies or public funds available, in terms of social partners agenda. Does this silence mean that pains – or gains – are smaller ? Nor at all: small is not always beautiful. And SMEs people, are equally at risk, in terms of earnings, jobs, health - in small restructuring than in big ones.

### **Five main issues for responsible answers when SMEs face restructuring**

The present crisis is severe for all, SMEs included. But does it offer opportunities to manage restructuring in a different way, in a more sustainable or responsible one? This question was at the center of our workshop. Presentations and discussions pointed out 5 main issues:

First of all, “pro SMEs policies” have been setup and developed all over in Europe over the last decade and the awareness of their importance is now well established. But at it was pointed out, well intentioned policies do not mean well framed or easily accessible instruments. In other terms, the effectiveness s of those policies can be largely improved.

Job transitions which have been meant for a long time for big companies are now emerging in taking in account SMEs through specific frameworks or by including them in more general ones. But initiatives remain in that field either isolated to some branches or territories or do have temporary character. How to disseminate them and to make them “permanent”?

In order to improve SMEs situation, access to credit is a crucial issue. But as already demonstrated in many analyses, access to new skills and competencies is of equal importance. Therefore, the use of mediators, of third parties – often private consultants but not only – is increasing and helpful in supporting managers in managing successfully changes and restructuring. How can public policies be developed to ease this access to external competencies? What could be the responsibilities of big companies towards their providers and their subcontractors, in coping with structural changes ? How these external supports can be enlarged to HR issues?



Social dialogue has been for a long time a very controversial issue for SMEs and reasons a difficult one. But social dialogue processes and results at sector or territorial levels are increasingly used to tackle specific issues related to SMEs and structural changes. How to accelerate those processes and convince all sectors to engage in such approaches? Does it lead to rethink and reframe social partners organisations and social dialogue processes?

Last but not least, SMEs are more and more trying to find common solutions: clusters, sharing of training schemes, business alliances help them to be not only stronger but also less dependent. This way, which breaches the individualist entrepreneurial culture, has been proved to be successful. Is it enough encouraged and supported?

We were looking at innovations related to management of restructuring in the crisis. And we found quite interesting ones to be presented in this cahier. The public discourse on SMEs has been mainstreamed; the awareness of their role in our society has grown. The crisis is a unique opportunity to strengthen this approach: despite a range of innovations, many of them remain quite isolated, temporary, and fragile. SMEs need to be both supported and recognized: they are important stake holders in competitiveness as well as in social cohesion and wellbeing issues.







[www.responsible-restructuring.eu](http://www.responsible-restructuring.eu)