
Commission of the European Union

Manual

Social

Crisis Management

in the Coal and Steel Industries

• **European Models and Experiences** •

by
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Published by the

Commission of the European Union

Directorate-General V

Employment, Industrial Relations and Social Affairs

ECSC Readaptation and Social Aspects of Iron and Steel Policies

B-1049 Brussels

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Luxembourg: Office for Official Publications of the European Communities 1994

ISBN 92-826-5796-5

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Printed in Germany

Foreword by the editor

Since 1980 alone, over 800.000 workers have been forced to leave their jobs as a result of restructuring in the Community coal and steel industries. The European Community has contributed significantly, through financial and various other means, to the social measures implemented to cushion the impact of this restructuring on the workers involved. In so doing, it has supported the programmes set up by undertakings, national authorities and other organisations involved in the process. The Community's effort has concentrated particularly on making good income losses and also, in a major way, to the reemployment of the effected workforce in an often seemingly desperate labour market.

Unfortunately, today we are in the midst of major fresh waves of job losses in the ECSC industries, and this in the context of high unemployment in Europe overall.

It is my hope that this handbook will be of use not only now in the Member States of the European Union, but also in the countries of Central and Eastern Europe where similar problems are faced. The aim is to provide concrete assistance to those faced with the need for social crisis management.

The wish is supported by my conviction that examples of success stories do indeed bring hope to the workers who are affected.

Padraig Flynn

Commissioner for Employment, Social Affairs and Industrial Relations

Foreword by the author

This book would not be complete without my thanks to all those who supported me with practical help and advice.

First of all, I wish to thank Antoon Herpels and Diane Marshall of the Commission of the European Communities, Directorate-General V/A/4, for their confidence in me and for giving me the task of producing this reference book. Despite their understandable impatience, due to the overall pressure of the crisis, they showed understanding for the missing of promised deadlines. This was very helpful, and relieved some of the pressure on myself.

The fact that, despite delays in the production of some case studies for Section E, the book was finished in little more than a year is due to the support of a number of my colleagues from the Sozialforschungsstelle Dortmund, in particular Uwe Jürgehake and Rainer Lichte. My discussions with them, and their criticisms, made the writing of a number of chapters easier. Particular thanks go to Detlef Ullenboom, who helped me in many respects, particularly as a conscientious proofreader and tenacious critic of unclear phrasing, but also as an expert “tracer” of the heading index.

Finally, my thanks go to those colleagues from a number of institutes whose case studies provided the basis for most of the chapters in Section E, “Models for social crisis management”.

Hans-Werner Franz

Dortmund, September 1993

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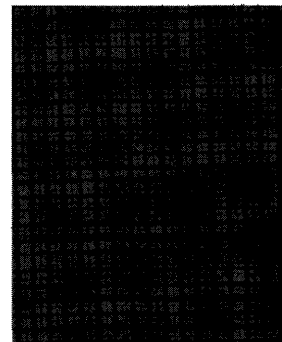


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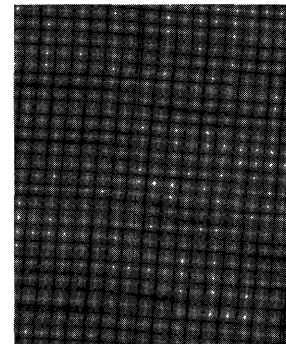
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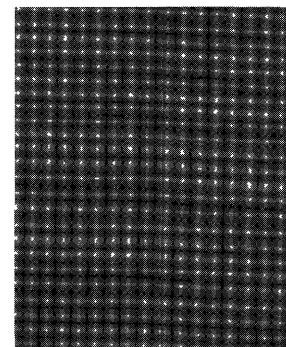
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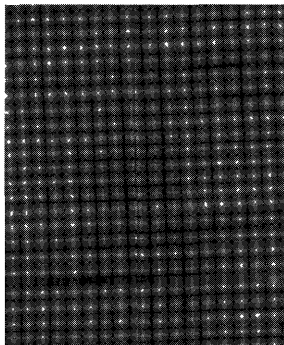
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| E8 | British Coal Enterprise (United Kingdom) | E15 | Carbones de Bergà (Spain) |
| E9 | ISERBS programme for steelworkers (United Kingdom) | E16 | Beschäftigungsgesellschaft (Germany) |
| E10 | Anti-crisis Division at ARBED Steel (Luxembourg) | E17 | Qualifizierungszentrum (Germany) |
| E11 | Charbonnages de France (France) | E18 | ZWAR
Zwischen Arbeit und Ruhestand (Germany) |
| E12 | Convention Générale de Protection Sociale (France) | E19 | Trade union initiatives |
| | | E10 | Crisis management in the company |

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Abbreviations

A

ABM	Arbeitsbeschaffungsmaßnahme (work creation scheme) E13, E16
ABS	Gesellschaft(en) für Arbeitsförderung, Beschäftigung und Strukturentwicklung (mbH) E16
A.CAP 2000	Accord sur la Conduite de l'Activité Professionnelle dans les entreprises sidérurgiques E12, E20
AFG	Arbeitsförderungsgesetz (Law on the promotion of employment) E13, E16
AG	Aktiengesellschaft (limited company)
AHM	Altos Hornos del Mediterráneo E6
ALG	Arbeitslosengeld (unemployment benefit) E13
AlüG	Alter Übergangsgeld (Age-related transitional allowance) E13
ARBED	Acieries Réunies de Burbach-Eich-Dudelange E10

B

BASIS	Beratungsstelle für arbeitsorientierte Struktur-
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	entwicklung in Sachsen e.V., Dresden p. 2
BCE	British Coal Enterprise E8
BetrVG	Betriebsverfassungsgesetz (Works Constitution Act) E13
B.G.A.	Beteiligungsgesellschaft Aachener Region (Financial holding company) E3, E13
BLM	Begeleidingsdienst Limburgs Mijng gebied (Support service for the Limburg coal field) E7
BSW	Badische Stahlwerke AG E20
BWH	Bildungswerk Hattingen E17
C	
CdF	Charbonnages de France (the French national coal company) E11
CEDRES	Cabinet Européen pour le Développement et la Recherche Economique et Sociale, Paris E11, E12
CFC	Contrat Formation-Conversion (Training/retraining contract) E12
CFDT	Confédération Française Démocratique du Travail E12
CGPS	Convention Générale de Protection Sociale E12

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CGT	Confédération Générale du Travail	E12
CIGS	Cassa Integrazione Guadagni Straordinaria	E5
CIPI	Comitato interministeriale per la programmazione industriale	E5
CIREM	Centre d'Initiatives i Recerques Europees a la Mediterània, Barcelona	p. 2
COFIS	Contrat de Formation Interne à la Sidérurgie	E12

D

DAC	Division anti-crise	E10
DG	Direction générale or Directorate General, Generaldirektion	A2
DGB	Deutscher Gewerkschaftsbund	E13, E17
DTI	Department of Trade and Industry	E8, E9

E

EAGGF	European Agricultural Guidance and Guarantee Fund	A2
EBV	Eschweiler Bergwerksverein	E3, E13
EC	European Community	A2
ECSC	European Coal and Steel Community	A2
ECU	European Currency Unit	A2

EIB	European Investment Bank	A2
ENISA	Empresa Nacional de Innovación	E15
ENSIDESA	Empresa Nacional Siderúrgica S.A.	E6
ERDF	European Regional Development Fund	A2
ERGO	An EC Programme	A2
ESF	European Social Fund	A2
EUROFORM	An EC programme	A2
EUROTECNET	An EC programme	A2
EWZ	Entwicklungszentrum Dortmund	E16

F

FESALC	Federació de Societats Anònimes Laborals de Catalunya	E15
FIBM	Fonds d'Industrialisation des Bassins Miniers	E11
FINORPA	Société Financière dans le Nord-Pas de Calais	E11
FO	Force Ouvrière	E12, E20
FOARSA	Forjas y Aceros de Reinosa S.A.	E6
FORCE	An EC programme	A2
FPE	Fondo de Promoción de Empleo (Fund for the Promotion of Employment)	E6
FuU	Fortbildung und Umschulung (Further training and retraining)	E11, E16

Index of abbreviations

G

GDR	German Democratic Republic E16
GESIM	Groupement des Entreprises Sidérurgiques et Minières E12
GmbH	Gesellschaft mit beschränkter Haftung (Limited liability company) E16
GRV	Gesetzliche Rentenversiche- rung (State pension insurance scheme) E13

H

HIVA	Hoger Instituut voor de Arbeid KU Leuven p. 2
HORIZON	An EC programme A2

I

IGBE	Industriegewerkschaft Bergbau und Energie E3, E13
IGM	Industriegewerkschaft Metall E13, E19
IHK	Industrie- und Handelskammer(n) (Chamber(s) of industry and commerce) B11
INI	Instituto Nacional de Industria E6
INEM	Instituto Nacional de Empleo E6, E15
INPS	Instituto Nazionale della Previdenza Sociale E4

ISERBS	Iron and Steel Employees Readaption Benefits Scheme E9
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J

JACCS	Job and Career Change Scheme E8
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K

KAL	Knappschaftsausgleichslei- stung (Miners' pension scheme bridging payments) E13
KU Leuven	Katholieke Universiteit Leuven p. 2
KUG	Kurzarbeitsgeld (Short-time working allowance) E16
KUG 0	Kurzarbeitsgeld Null (Short- time working allowance Zero) E16

L

LEDA	An EC programme A2
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M

MEcu	Million ECU A2
MUV	Montanunionvertrag (other German word for ECSC treaty), see ECSC A2

N

NOW	An EC programme A2
NUM	National Union of Mineworkers E8

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O

OGBL Onafhängege Gewerkschaftsbond Letzebuerg
E10

P

PETRA An EC programme A2

Q

QZR Qualifizierungszentrum Rheinhausen E17

R

RAG Ruhrkohle AG E3

RECHAR An EC programme A2

RENAVAL An EC programme A2

RESIDER An EC programme A2

RETEX An EC programme A2

RICONVERSIDER Società per la riconversione siderurgica nella Regione Lombardia E4

RMPS Redundant Mineworkers' Payment Scheme E8

S

SAL Sociedad Anónima Laboral E15

sfs Sozialforschungsstelle Dortmund Landesinstitut
p. 2

SGB Sozialgesetzbuch (Social security legislation) E13

SIDMED Empresa Siderúrgica del Mediterraneo E6

SKE Steinkohleneinheit (Hard coal equivalent) E3

SME Small and medium-sized enterprise(s) A2

SODIS Société d'Industrialisation de la Sidérurgie E12

SOFIREM Société Financière pour Favoriser l'Industrialisation des Régions Minières E11

SOLLAC Flat steel division of USINOR SACILOR E20

SPRINT An EC programme E15

SWR AG Stahl- und Walzwerk Riesa AG E16

T

THh Thyssen-Henrichshütte E17

U

USINOR SACILOR (The French national steel company) E2, E12

V

VoG Vorruehstandsgeld (Early retirement allowance) E16

VSG Vereinigte Schmiedewerke GmbH E17

Index of abbreviations

Z

ZUR	Zonas de Urgente Reindustrialización E6
ZWAR	Zwischen Arbeit und Ruhe- stand ("Between Work and retirement") E18

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Introduction

and guidance on using this manual

The ongoing coal and steel crisis has given rise to a range of tools for dealing with the social crisis. This manual is an attempt to present these instruments in a systematic fashion, to describe models developed in the Member States of the European Community and to report on experience gathered.

The structure of the reference book

The manual begins (*Section A: Crisis*) with a description of the characteristics and development of the crisis in the coal and steel sectors and, against this background, points out the range of contributions made by the European Coal and Steel Community (ECSC) and other European Community funds and programmes.

The second stage (*Section B: Social crisis management*) is to ask who will or should take action in a crisis, and who is to manage the crisis.

The third section (*Section C: Social crisis management as a planning process*) attempts to determine what can be done in a crisis and how quickly.

This is followed (*Section D: Instruments for social crisis management*) by a schematic pres-

entation in accordance with established criteria of the (hopefully) full range of instruments from the point of view of affected businesses. The introduction to this section attempts to define what might be understood by “social instruments for managing the crisis”.

The final section (*Section E: Models for social crisis management*) describes the manifold ways and means by which instruments for managing the social crisis may be combined, using specific national examples or case studies.

A separate section originally planned, to cover experiences of social crisis management, proved to be redundant in too many respects. Without repeating the conditions relating to each model, it would have been very difficult to classify experiences properly and make them comparable. Experiences are subjective and in many ways influenced by the particular circumstances of each situation. This section was therefore left out. Where information is available, experiences with individual models have been presented in the corresponding chapter of Section E, either as an assessment by the parties or people taking part, an assessment by those affected or, frequently, as a systematised presentation of the specific “crisis career” of the miners or steelworkers affected.

The focus here was **always on the methodical aspects**. There was no attempt to measure success or failure, and no comparisons were made. The conditions in individual countries and cases differ too widely for this: laws, institutions and associations, the financial possibilities and, last but not least, the people: those who have to act and those who have to cooper-

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those who have to act and those who have to cooperate. **Models are not prescriptions.** What was “successful” in a certain place and under certain conditions will not necessarily be successful in another place under different conditions. The opposite also applies: what did not work in one place might be successful elsewhere.

As the proverb says, “necessity is the mother of invention”. If this reference book points this out, it will have gone a long way towards fulfilling its purpose. Necessity, however, is also the mother of emergency solutions. It should always be kept in mind that, for those affected by the crisis, almost every solution initially appears to be an emergency solution, although it may look different with hindsight.

The basic **assumption** behind this reference book is as follows: “**social**” **measures are those seen as social by those involved according to the situation at that time.** For example, it is becoming increasingly doubtful, at least in the coal and steel sectors, that early retirement will still be regarded in a few years’ time as a standard instrument for social crisis management.

- Who could be given early retirement when there is scarcely anyone of a suitable age still employed?
- Can society still afford (and not only in financial terms) to retire people over 50, or even over 45, however it is presented?
- Quite apart from the social costs, is it desirable to dispense with the knowledge, competence and experience of these people?

This book provides no answers to these basic questions.

One final comment should be made regarding the form of this reference book. It was given a **loose-leaf format** because both the publisher and author took the view that the number of models presented could be expanded and that there could soon be new instruments and models to add, partly for the reasons given above. With this in mind it seemed advisable to choose an open, extendable form of binding.

Finally, I would like to express the hope that this reference book becomes what it was intended to be: a **reference book for practitioners.** The publisher and author would be grateful for criticisms and suggestions for additions to the current sections or for new sections. As much room as possible has been included throughout for making notes, in order to keep track of any ideas.

Guidance for using this manual

It is to be hoped that long explanations of the breakdown of this book are not required, and so only a few indications will be given here.

Pages are not numbered consecutively throughout. Each chapter has its own page numbering. Section B is the sole exception, being consecutively numbered in order to save space, as each new chapter begins on a right-hand (odd) page. Were this not the case, there would be almost two pages provided for notes

more often than is the case in this introduction and more often than is strictly necessary.

As an aid to reference, sections are not only separated by dividers but are also colour-coded.

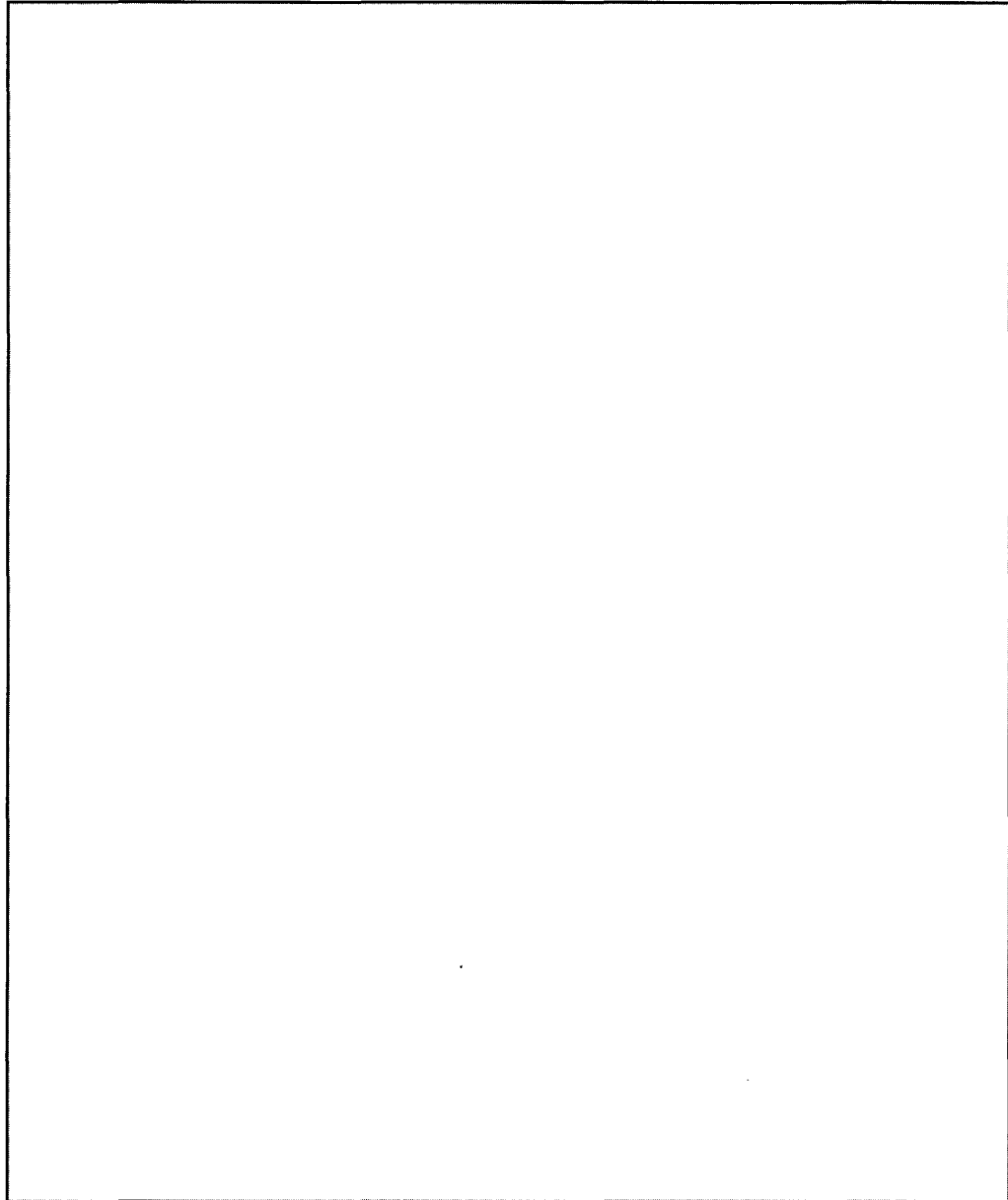
Within the chapters there are repeated cross-references to relevant passages in other sections or chapters, which are intended to aid comparison, reference or the following of an argument which is developed in more detail elsewhere.

As a further aid, an index is provided at the end of the handbook. This has all the customary advantages and disadvantages of such indexes. We have tried, by the use of numerous cross-references in the index, to provide transparency and make searching easier. It is for the reader to decide whether we have succeeded.

Finally, readers wishing to use the abbreviations as signposts to particular chapters may use the information section, as the abbreviations are accompanied by references to the main relevant sections.

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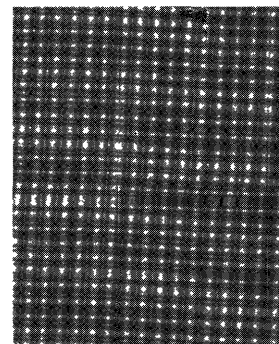
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... in the steel industry**
- A2 The role of the European
Communities**

Crisis



Development and structures of the crisis...

... in the coal mining industry

When the European Coal and Steel Community came into being in June 1952, nobody dreamed that it would soon be faced with the task of regulating a crisis caused by overproduction. Coal and steel were among the leading sectors in the post-war economy and were in short supply. Insufficient capacity within the Community even made it necessary to import coal to cover the shortfalls.

1958 marked a turning point for coal. The slowly emerging change in the pattern of energy consumption coincided with a decline in economic activity. This triggered a coal crisis affecting all Community countries with a coal mining industry. Coal began to be stockpiled. Its share in the Community's energy production sector declined in both absolute and relative terms: while it had been 80% in 1950, it was barely 65% in 1958.

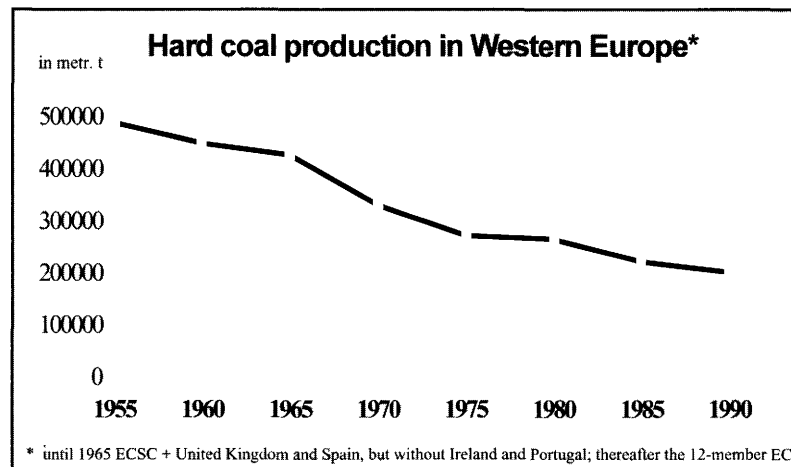
Oil in particular became an increasingly popular alternative energy source, supplemented over the following decades by natural gas

and nuclear power. In 1992, the proportion of Community primary energy generated by coal was 21.5% (of which 5.3% was lignite), while the figure for oil was 44%, for gas 19.1% and for nuclear power 13.3%. The coal used, of course, was not exclusively of Community origin. In 1992, 137 million tonnes of coal was imported into the European Community, primarily from the USA, South Africa and Australia. The Community itself produced 184 million tonnes. The contribution of Community coal to the EC's primary energy consumption was therefore even smaller in relative terms.

Over the last 40 years, the Community coal industry has undergone a continuous decline in terms of both production and employment. In 1952, 239 million metric tonnes of coal were mined in the six-member Community, with the United Kingdom (not then a member) producing a similar amount (230 million tonnes). In 1992, the 12-member Community produced 184 million tonnes. The decline in the number

European Community

The mining chapter in A1 is partly based on a contribution from Uwe Jürgenhake



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of people employed was equally dramatic. The 12-member Community had 150 000 people employed below ground in 1992. In 1953, those employed in the mining industry in the six-member Community and in the United Kingdom totalled 1 250 000. The resulting tasks facing the Community's coalfields were considerable and, without the support of the ECSC, could not have been overcome without socially unacceptable consequences.

The continuous process of contraction led, as early as the 1960s, to a virtual cessation of mining in the Netherlands, with production finally ceasing completely in 1974. By the beginning of the 1990s, coal was being produced in significant quantities in five Member States: Belgium, France, Germany, Spain and the United Kingdom. Ireland and Portugal produce only small amounts. Over 90% of production was accounted for by Germany, Spain and the United Kingdom. By this time, Belgium had developed a programme for the complete cessation of coal mining by 1992 and France, too, was preparing to shut down the industry completely. Coal mining in the Community was thus essentially concentrated in the coalfields in the three remaining major coal producing countries.

In these countries, the mines had been nationalised or semi-nationalised. Without subsidies, scarcely any Community pits would still be viable. These subsidies have been paid at national level for more than 30 years following approval by the Council of Ministers on the basis of Article 95 of the ECSC Treaty. However, a further reduction in coal production is anticipated.

Summary

Summarising the development of an almost 40-year crisis in the mining industry, there are **three main characteristics**:

- Due to national concerns for an independent source of energy, the process of decline was slowed in order to make it easier to overcome the effects on the people and regions concerned. This may not appear to be the case in some instances, and to some it probably did indeed not appear to be so. But without political intervention this process, left to the mercy of market forces, would have been much more brutal.
- The financial cushion provided by the ECSC and its crisis fund had much to do with the fact that the changes brought about in the jobs and lives of the affected workers and their families, up to and including emigration, were achieved at relatively little risk. It is for this psychological reason that the long history of the decline of the coal mining industry is not also much more a story of bitter conflict.
- Money, however, is not everything. In the final analysis it must not be forgotten that against the background of these first two characteristics of the crisis the social situation was managed in a highly imaginative way which led to the development of instruments and models for overcoming the social crisis and creating stability in the midst of change. They became an example for most of the solutions later applied in other branches of industry, particularly the steel industry.

The future for coal

Arguments for maintaining European coal resources are based - apart from the social and economic problems in the coalfields - on the principle of maintaining a source of supply, but also on the fact that, in the medium term, rising energy prices could again make EC coal competitive.

The fear that stalks the Community's remaining coalfields in Germany, Spain and the United Kingdom is only partly related to the steel crisis. Only in Spain and Germany is domestic coal still being processed into blast furnace coke. The decline in pig iron production and the increasing speculation about ending the traditional blast furnace and convertor process in favour of electrical steel plants and using cheaper imported coal, however, are increasing the pressure on the European coal industry.

The power generation market in individual Member States is based on widely differing energy policy principles. Responsibility for coal policy measures still rests with the governments of the Member States. There are as yet no signs of a single European energy policy. In Spain and Germany, coal policy supports sales to power stations. In the 1980s Spain even registered a significant rise in coal production. However, the coal subsidies, which are now very high, must be declared to the Commission of the European Communities and unanimously approved by the Council under Community aid schemes.

The German coal agreement for the period following the expiry of the "Jahrhundertvertrag" ("contract of the century") in 1995 is not yet in danger. However, declining consumption

of blast furnace coke has led to consideration being given to further mine closures. The situation in England is rather different. The level of subsidies is lower and the degree of modernisation is higher. At the same time, however, the British government's privatisation efforts are now also being directed at the nationalised British Coal. Since only profitable mines can be privatised, all those not suitable for privatisation are to be closed. It is however debatable whether, and how many, mines can continue to operate in the longer term under private ownership. In addition, a heated discussion of the value and contribution of British Coal to energy policy is under way as a result of the attempts by the recently privatised electricity producers to convert from coal-fired to mainly gas-fired generation. The bitter battle to preserve British pits has been going on since the autumn of 1992.

In spite of these national considerations, the question of the future of the coal industry also has a European dimension, partly due to the degree to which all remaining coalfields are affected and partly due to the close ties between the coal sector (as a part of the national energy sector) and the respective national economies, which are in turn connected to form a common market under the EEC Treaty.

If, in the context of the next amendment of the European Treaties, the idea of an "energy chapter", rejected in Maastricht, was to be approved for the EEC Treaty, this would have to be subject to the principle of subsidiarity established in Maastricht. Such a chapter would have to contain a definition of energy policy goals and the principles for achieving these goals, while leaving Member States room to

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formulate an energy policy to suit their respective national circumstances, otherwise the Commission's strictly market economy-oriented course, striving towards the removal of subsidies, could endanger the future of European coal as an energy resource.

Abandoning the energy policy consensus, under which European coal reserves are valued as a "European energy reserve", would bring the European mining sector under pressure from two sides. A world market-oriented energy policy increases the importance of imported coal from non-member countries, where the world market price is significantly lower than the production costs of Community coal.

In addition to the unmistakable competitive disadvantages of existing production capacity

there is also a general environmental argument, although it applies equally to oil and gas: the use of fossil fuels for energy production contributes to the greenhouse effect, the climatic consequences of which must be reduced by restricting carbon dioxide emissions.

The result of this development would be a coal sector forced to justify itself, with the danger that the interests of the remaining employees and of those threatened by further redundancies would take a back seat. Clearly the structural problems of the European coal industry cannot be solved at national level alone, since the effects of energy policy decisions by the European Community can override previous regional, sectoral and sociopolitical efforts.

Notes

... in the steel industry

A glance at the diagram shows that the character and progress of the crisis in the European steel industry cannot be compared with those in the coal industry. The conclusion that, for the reasons mentioned above, coal mining is without a doubt in decline and has died out completely in some countries does not apply to the steel industry.

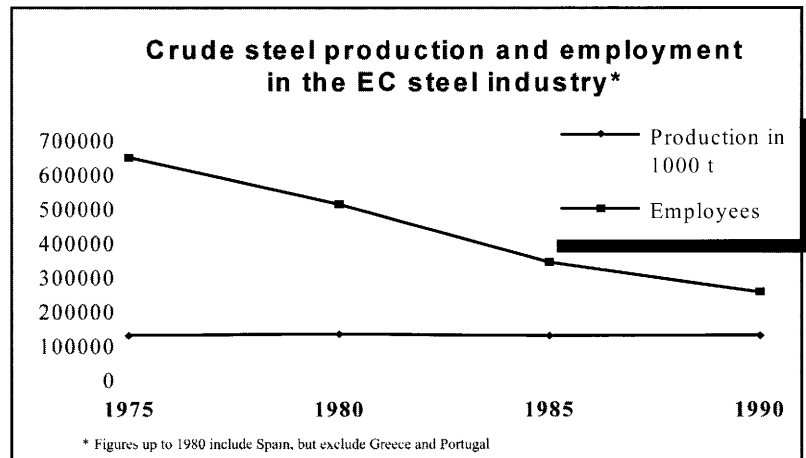
Firstly, the crisis set in much later (1975). Despite all economic and structural fluctuations, steel production has remained relatively stable over a period of 20 years or, to put it more negatively, it has stagnated. Even compared with the boom year of 1974, steel production in 1990 is only approximately 20 percent lower. No Member State has ceased steel production, although employment in the sector has halved during this period.

This first rough analysis leads to only one initial conclusion: that the steel industry is not in decline. Strictly speaking, there is not even a steel crisis, i.e. relating to the product; it is rather a crisis relating to the structure of steel production in Western Europe, which has been met by extensive and intensive modernisation and rationalisation measures. The so-called steel crisis is therefore, at least as far as this book is concerned, primarily an **employment crisis**, albeit of a dimension and with a speed of development which required tremendous energy and imagination on the part of all the those affected and involved to ensure a crisis management which could be termed "social".

The main causes of the crisis were as follows:

- previously built up overcapacity;
- changes in the supply structure on the world market, particularly with the development of steel industries in the developing countries and, more recently, due to the changes in Eastern Europe;
- large-scale technical modernisation;
- equally large-scale modernisation of production control (microelectronics, new information and communication technologies);
- the associated organisational rationalisation of the sector as a whole (concentration), of individual companies and of production. This applies to each individual Member State and, to an increasing extent, to the whole of Europe.

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Looking back to the future

All of this also applies in one form or another to mining. There, too, production per shift and per hour has approximately tripled since the 1950s. In contrast to coal mining, however, the steel sector is not in danger providing it succeeds in continuing to specialise, as it is well on the way to doing, in high-value and increasingly complex steel products (components). In other words it will survive as an industry, but the process of modernisation and rationalisation will continue unabated and the number of people employed will continue to decline.

As the table shows, in the course of the structural crisis employment has declined by more than half in only 15 years and, depending on the country, was linked sooner or later to the closure of entire plants. This is another aspect which will continue to play a central role, partly because the concentration process will continue, with the advantages and disadvantages relating to location playing an important role with regard to internal (European) and external competition.

A new process technology awaits the steel industry: the casting of almost-finished products, which will make entire processing stages superfluous (in a production process which has already been significantly shortened during the previous crisis). The deciding factor in this coming innovation, however, is not only the fact that a large number of jobs in the areas concerned will become superfluous; that is already recognised. The minimum production level necessary for profitability can, as in the case of the “mini” steelworks manufacturing long and shaped products, be reduced to such an

extent that completely new and much smaller plants become feasible, able to do without their own blast furnaces and produce liquid steel from scrap in electric furnaces. The question of location therefore takes on a completely new dimension.

To take one of several possible **scenarios**: *In 2010 the West European steel industry is divided into three large European concerns (French, British and German). Only five large integrated smelting works (blast furnaces, steelworks, rolling mills) remain. Most other plants are either pure rolling mills (re-roller) or work with electric steelworks, plant for the casting of almost-finished products and the still-necessary rolling mills in close association with those companies supplying the final customer, for example the vehicle industry. Nearly all of them are close to their major customers (e.g. vehicle plants) and their suppliers. The old locations could only be preserved where products of regional importance (structural steel, etc.) are produced or where major customers were already established nearby or have moved to the area as a result of the concentration process which the industry has undergone. But there are fewer locations than had been hoped at the beginning of the 1990s.*

Regions in crisis

Back to the present: From the point of view of the affected regions, another factor in considering the crisis in the steel industry is that steel making regions have mostly also been coal-producing areas and that a crisis in the steel industry, in so far as there has been one, has exacerbated and accelerated the decline of the

coal industry, to say nothing of all the other economic activities dependent on the two sectors.

Such a region therefore has to bear the burden not only of unemployment but also of reorientation. The uncertainties surrounding the finding of a new identity weigh more heavily than the financial burdens, which can be relieved.

It is easy for outsiders to keep pointing out the need to take account of and develop the inherent potential of a region, that regions and people should where possible be dealt with in situ and that regional development is also associated with the quality of life and of work. Those with 15 percent, 20 percent or more unemployment will clutch at any straw, for instance the discount furniture warehouse requiring 30 jobs for a sales area of 30 000 m².

The major steel companies have a social responsibility here which extends far beyond the duty of care by an employer towards his

employees to include a responsibility for the fate of the regions in which they exist, which they have frequently (mostly in conjunction with mining) created and cannot simply leave behind them with their vast areas of contaminated land covered in five metres of concrete. It goes without saying that on their own they cannot bear the immense costs associated with returning such former industrial sites to a useful state, whether for commercial purposes or otherwise, but their participation is necessary.

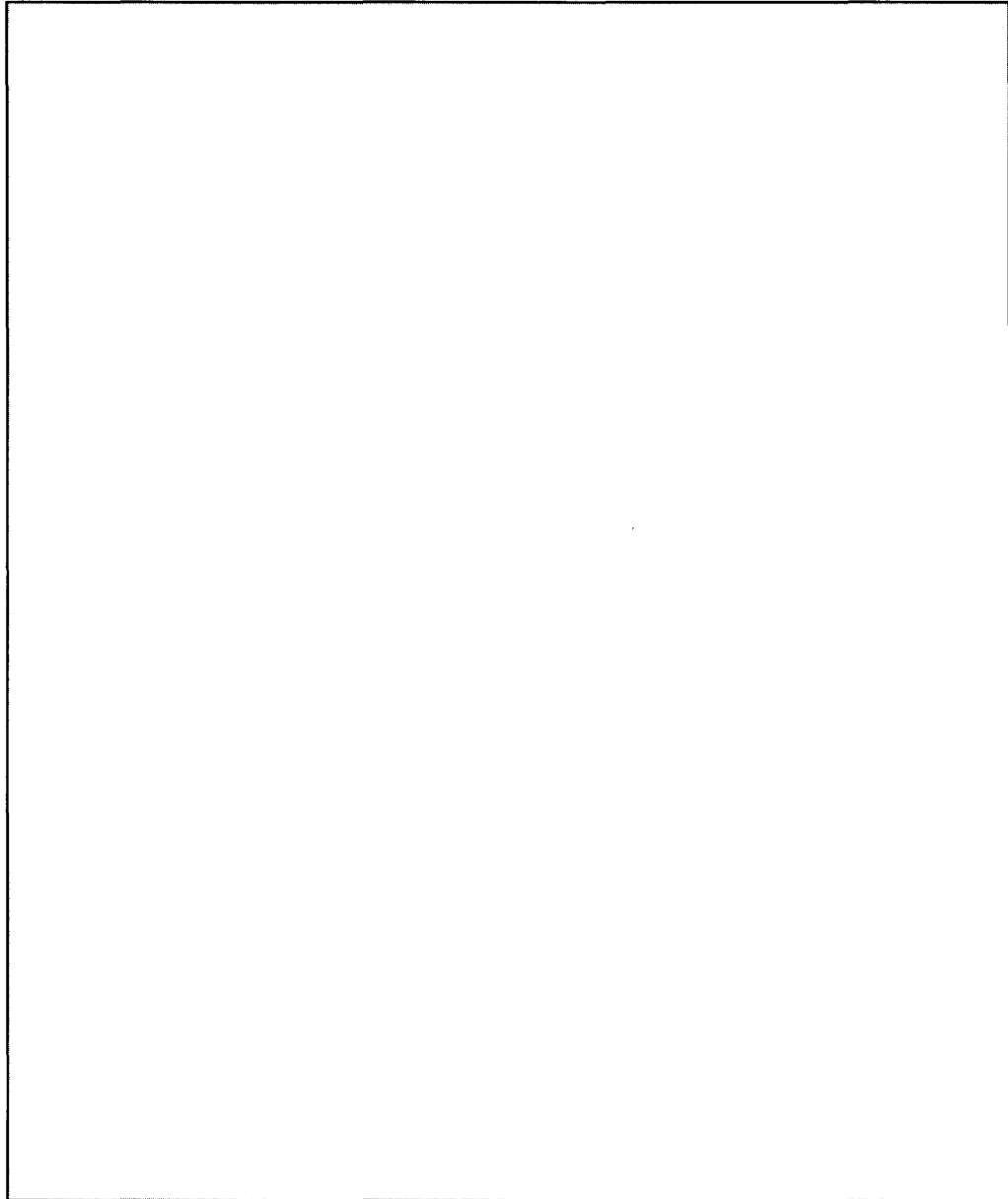
It is also necessary for attracting new economic activities into the old regions and providing new opportunities. As some models show (*particularly E8*) it can even be economically beneficial, provided that it is not a subsidised business.

Most of the models in this book (*see Section E*) therefore give due acknowledgement to such commitment where it exists.

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The role of the European Communities

The European Coal and Steel Community

The signing of the Treaty of Paris in 1951 by six countries (France, Germany, Italy and the Benelux countries) established the European Coal and Steel Community (ECSC), with a lifespan of 50 years. Today all Member States of the European Community belong to it. Its main purpose was not to overcome industrial crises in these two basic sectors on the social level; rather, with the post-war expansion of the European economy, its primary function was to regulate the market.

With the deepening crisis in both industries (AI), overcoming that crisis became one of its main aims. This applied both to its market regulatory function (primarily through the establishment of national quotas) and increasingly to overcoming the serious social consequences of the crisis. The relevant Article 56 (2b and 1c) of the ECSC Treaty became the broadly interpreted basis for the (partial) financing of almost all important instruments for managing the social crisis. The most important source of finance for the so-called readap-

tation aid, which is non-repayable, was the levy on coal and steel production paid by companies in the Member States.

During the 1960s, the main priority was to provide social protection for those workers affected by restructuring and to offer them alternative employment opportunities. When economic expansion slowed in the 1970s, the possibility of alternative employment became increasingly restricted so that other, more extensive measures became necessary. Until 1989 Article 56(b) represented the only legal basis for allocating ECSC readaptation aid. Subsequently, Article 56(1c) has also been applied in the coal industry in order to ensure the inclusion of employees affected by the introduction of new technology but ineligible for aid under the terms of Article 56(2b).

The principle behind this is that this aid is additional and complementary and has a harmonising effect:

European Community

ECSC

General aims of ECSC readaptation aid

- To gain acceptance for essential industrial restructuring by those people affected;
- to reduce the number of employees;
- to guarantee social protection measures for affected workers;
- to provide new employment in other companies.

**Documentation:
Article 56
of the
ECSC-Treaty**

**Article 56
(Assistance with redundancies)**

1. If the introduction, within the framework of the general objectives of the High Authority, of new technical processes or equipment should lead to an exceptionally large reduction in labour requirements in the coal or the steel industry, making it particularly difficult in one or more areas to re-employ redundant workers, the High Authority, on application by the governments concerned:

a) shall obtain the opinion of the Consultative Committee;

b) may facilitate, in the manner laid down in Article 54, either in the industries within its jurisdiction or, with the assent of the Council, in any other industry, the financing of such programmes as it may approve for the creation of new and economically sound activities capable of reabsorbing the redundant workers into productive employment;

c) shall provide non-repayable aid towards:

- the payment of tideover allowances to workers;
- the payment of resettlement allowances to workers;
- the financing of vocational re-training for workers having to change their employment.

The High Authority shall make the provision of non-repayable aid conditional upon payment by the State concerned of a special contribution of not less than the amount of that aid, unless an exception is authorised by the Council, acting by a two-thirds majority.

2. If fundamental changes, not directly connected with the establishment of the common market, in market conditions for the coal or the steel industry should compel some undertakings permanently to discontinue, curtail or change their activities, the High Authority, on application by the Governments concerned:

a) may facilitate, in the manner laid down in Article 54, either in the industries within its jurisdiction or, with the assent of the Council, in any other industry, the financing of such programmes as it may approve for the creation of new and economically sound activities or for the conversion of existing undertakings capable of reabsorbing the redundant workers into production employment;

b) may provide non-repayable aid towards:

- the payment of tideover allowances to workers;
- the payment of allowances to undertakings to enable them to continue paying such of their workers as may have to be temporarily laid off as a result of the undertakings' change of activity;
- the payment of resettlement allowances to workers;
- the financing of vocational re-training for workers having to change their employment.

The High Authority shall make the provision of non-repayable aid conditional upon payment by the State concerned of a special contribution of not less than the amount of that aid, unless an exception is authorised by the Council, acting by a two-thirds majority.

- **additional**, because each recipient country provides at least 50 percent of the public assistance guaranteed to workers;
- **complementary**, because other Community resources (e.g. from the Structural Funds) will be involved in accompanying social and regional measures;
- **harmonising**, because the Community ensures that the treatment of individual workers is in accordance with social standards in their native country and/or that individual countries with their differing economic and social conditions do not receive a disproportionate share of the “cake”.

Readaptation aid is implemented by means of bilateral agreements between the Commission of the European Communities and the Ministry of Labour of a Member State. The (then valid) bilateral agreements of 22 March 1989 made provision for the following **five standard situations for aid**: early retirement, unemployment, internal redeployment, external redeployment and vocational training (*see table*).

There are basically **eight standard instruments** (*see below*) available to deal with these situations. However, they are used in different ways in different countries and can therefore only be presented in schematic form here. In connection with the model descriptions (*Section E*), different applications and combinations are presented.

Notes

Standard instruments

- **Early retirement** and associated temporary allowances and the preservation of net income (*see D32, D33*);
- **tideover allowance** (*see D32, D33, E13*);
- **compensation for loss of income** (wage and salary allowances) (*see D1*);
- **to encourage geographical mobility** (travel expenses; removal costs; separation allowance) (*see D1, most models under E*);
- **compensation payments** (*see D1*);
- **training allowances** for employees and reimbursement to companies of expenses

Standard situation	Maximum contribution (in % of earned income)	Maximum duration (months)	Maximum amount (in ECU)
Early retirement	12% (18%)*	18	4.000
Unemployment	12% (18%)*	15	3.000
Internal redeployment	5%	12	1.000
External redeployment	10%	12	2.000
Vocational training	55% (65%)*	12	4.000

* in economically weak regions

EC- Structural Funds

involved in organising retraining (*see D1, D2, D21, D22, D26*);

- **short-time working** (*see D24*);
- allowances to former coal industry employees by virtue of the decline in demand for **domestic coal** (*E3, E8, E11, E13*).

The ECSC participates in the financing of these instruments; maximum proportions and duration are laid down in the respective Bilateral Agreements.

The methods used to overcome the social crisis in the coal and steel industries, made possible as a result of ECSC financing, have set the standards in all Member States of the European Community. For instance, the German social plan (*see E13*), set out in 1972 under the reform of paragraph 112 of the Labour-Management Relations Act, was derived and adopted from established practice in the coal and steel industries.

Notes

The Structural Funds of the European Communities

Under the terms of Article 130 of the Treaty of Rome establishing the European Economic Community, the aim of the Community is to strengthen economic and social cohesion, and it has created a number of instruments in order to achieve this aim. The most important funds are the European Regional Development Fund (ERDF) and the European Social Fund (ESF). As they have been of great significance in many instances as sources of finance for overcoming the structural crises in the coal and steel industries, some mention should be made of them here. For completeness, two others should also be mentioned: the European Agricultural Guidance and Guarantee Fund (EAGGF) and the European Investment Bank (EIB).

Finally, mention should be made of the fact that a special cohesion fund is to be established in addition to the existing Structural Funds as part of the implementation of the decisions of the Maastricht summit. The aim of this fund is to support those Member States whose per capita gross national product is less than 90% of the Community average. Infrastructure and the environment are intended to be the main beneficiaries.

**Objectives
of the
Structural Funds**

1. Promoting the development and structural adjustment of the regions whose development is lagging behind ("Objective 1");
2. Converting regions, frontier regions or parts of regions (including labour market regions and urban areas seriously affected by industrial decline ("Objective 2"));
3. Combating long-term and youth unemployment and facilitating the occupational integration of young people, women and the socially disadvantaged ("Objective 3");
4. Facilitating adjustment to economic change and organising the social aspects of innovations at company level; preventing unemployment, particularly in small and medium-sized undertakings ("Objective 4");
5. With regard to the reform of the Common Agricultural Policy:
 - a) Accelerating the adjustment of agricultural structures;
 - b) Promoting rural development ("Objectives 5a and 5b").

**The
European Regional
Development Fund**

**Helping to redress regional
imbalances**

The European Regional Development Fund (ERDF) was established in 1975 and is the most important of the Structural Funds. Under the terms of Article 130c, the task of the ERDF is to help to redress the main regional imbalances in the Community. This includes, in particular, reducing the gap between the various regions and helping the less-favoured regions to catch up. This means:

- participating in the development and structural adaptation of less-favoured regions of the European Community (objective 1 areas)
- supporting the conversion of declining industrial areas (objective 2 areas) and finally
- participating in rural measures (objective 5b areas).

Since coal and steel, together with other industrial sectors such as textiles or shipbuilding, are often decisive elements in the economic structure and the labour market of a region, ERDF operations are often a valuable supplement to regional accompanying measures for the extensive redundancies which have taken or are taking place in the coal and steel sectors.

The Fund provides subsidies to a maximum of 75 percent in objective 1 areas and 50 percent in objective 2 areas. It contributes in particular to supporting the following:

ERDF

Contact:
EC Commission
DG XVI
Regional Policy
200, rue de la Loi
B-1049 Brussels

Notes

- productive investments to create or preserve jobs;
- infrastructure investments contributing to the development or reconversion of the affected region;
- measures to exploit the potential of the region through counselling, financial support and individual infrastructure support for undertakings, particularly small and medium-sized ones, and local development initiatives;
- cross-border studies or pilot projects.

In particular, support includes vocational training measures, recruitment allowances and assistance in establishing self-employed activities for the long-term unemployed on the one hand, and on the other measures to encourage the integration into working life of young people, women and the socially disadvantaged.

The ESF also contributes to the financing of the measures referred to above where they contribute to the achievement of objectives 1, 2 and 5b. They therefore benefit the unemployed and those threatened with unemployment as well as the groups referred to above, with the aim of providing these people with the vocational qualifications required either to ensure their continued employment or to develop new employment opportunities for them.

ESF

The European Social Fund

Measures to support vocational training and promote employment

The European Social Fund (ESF) was established in 1958 as a direct result of the Treaties of Rome and today (i.e. following the reform of the Structural Funds in 1988) has the primary task of combating long-term unemployment and promoting the occupational integration of young people. ESF support is accordingly directed to the groups of people referred to under objective 3:

- young people who have completed compulsory full-time education;
- the long-term unemployed;
- women wishing to enter or re-enter employment;
- the socially disadvantaged.

Notes

Contact:
EC Commission
DG V
Employment,
Industrial Relations,
and Social Affairs
200, rue de la Loi
B-1049 Brussels

Measures and initiatives linked to the Structural Funds

There are a number of structurally oriented programmes with the following aims:

- to help offset the negative effects of other Community policies;
- to encourage the use of specific Community policies at regional level (e.g. environmental measures);
- to support solutions for regions whose problems have common characteristics.

This last category of programmes includes those aimed at overcoming sectoral crises at regional level. In addition to programmes for the textile and shipbuilding industries (RETEX and RENAVAL) in certain regions there is (was) also a programme for the steel industry (RESIDER, which expired at the end of 1992) and the coal industry (RECHAR, to run until the end of 1993).

RESIDER

Reconversion in the iron and steel sector

RESIDER, the Community reconversion programme for the iron and steel sector, supported the restructuring process in areas where the steel industry was or still is a leading sector. Its objective was to support efforts to create alternative jobs to replace those lost during the restructuring and to develop appropriate opportunities for new employment in other

sectors in the affected regions. It is possible that a new programme will be introduced if required. The steel industry was considered to be of major structural importance in a region when:

- it accounted for a certain minimum number of jobs in the region;
- jobs in other sectors were highly dependent on the steel industry;
- a large number of jobs had been lost in the steel industry;
- the employment situation in the affected region was particularly serious.

The programme had a total budget of ECU 300 million and was implemented under regional programmes in combination with resources provided by the Member State.

RECHAR

Reconversion of the coalfields

RECHAR, the Community initiative for the economic reconversion of the coalfields, is intended to assist the worst affected regions with, among other things, restoring the environment, promoting new economic activities and developing the potential of the workforce.

Objective 1, 2 and 5b areas are eligible for support, as are regions in which the decline of coal mining will lead, or has already led, to serious economic problems and a large increase in unemployment. There must be coal or lignite mining, either underground or open cast, in these regions and on or after 1 January 1984 there must have been at least 1 000 peo-

**RESIDER
and
RECHAR**

Notes

ple employed in mining. These regions must also fulfil the following conditions:

- they must have lost at least 1 000 mining jobs since 1 January 1984;
- the total number of job losses confirmed or announced must be 1 000 or more;
- the total of jobs lost or threatened in coal mining must be at least 1 000.

The following measures are regarded as suitable (summary):

Suitable measures

- Measures to improve the environment in areas heavily affected by coal mining;
- Promoting infrastructure measures;
- Building turnkey factory units and establishing industrial areas;
- Promoting small and medium-sized undertakings through investment, infrastructure projects, research and consultation;
- Supporting tourism, especially in conjunction with the preservation of the industrial heritage;
- Promoting regional development agencies;
- Training and further training measures under the RECHAR initiative;
- Interest subsidies on ECSC loans for investment by SMEs.

The RECHAR budget amounts to ECU 300 million from the Regional and Social Funds and up to ECU 160 million from ECSC resources and loans from the European Investment Bank.

All Member States of the European Community are eligible to apply. They must be able to present a coherent regional development strategy as the objective of a programme of measures which must be partly financed by the national and regional authorities in order to demonstrate the additionality of Community resources.

Initiatives and programmes under the European Social Fund

As with the European Regional Development Fund, some resources (a maximum of 10%) are reserved for programmes and initiatives aimed at specific problem areas and groups of people or intended to support other related programmes. Current examples of this are the EUROFORM, NOW and HORIZON initiatives, promoting transnational partnerships in certain areas of activity. Under the reform of the Structural Funds, however, from 1994 onwards they should be consolidated into a single Community initiative (ADAPT). To describe all relevant programmes in detail would be outside the scope of this book, and only a brief summary is therefore given.

EUROFORM

EUROFORM is an initiative encouraging cross-border projects and partnerships relating to:

- (initial) vocational training and/or the promotion of employment;
- the harmonisation of vocational qualifications in the Community, particularly between less developed and other, more highly developed regions.

The budget for EUROFORM amounts to ECU 300 million. Duration: 1990-1993.

NOW

NOW is an initiative for promoting equal opportunities for women in the areas of employment and vocational training. Here, too, transnational measures and projects are supported which:

- contribute to the upgrading and promotion of qualifications for women and to changing the corporate culture;
- contribute to the reintegration of women into the "regular" labour market.

The budget for NOW is ECU 120 million. Duration: 1990-1993.

HORIZON

HORIZON is an initiative for disabled people and certain disadvantaged groups, aimed at improving their position in the labour market and their general competitiveness by means of vocational training for new technologies.

The budget for HORIZON is ECU 180 million. Duration: 1990-1993.

ESF programmes supported by EUROFORM, NOW and HORIZON

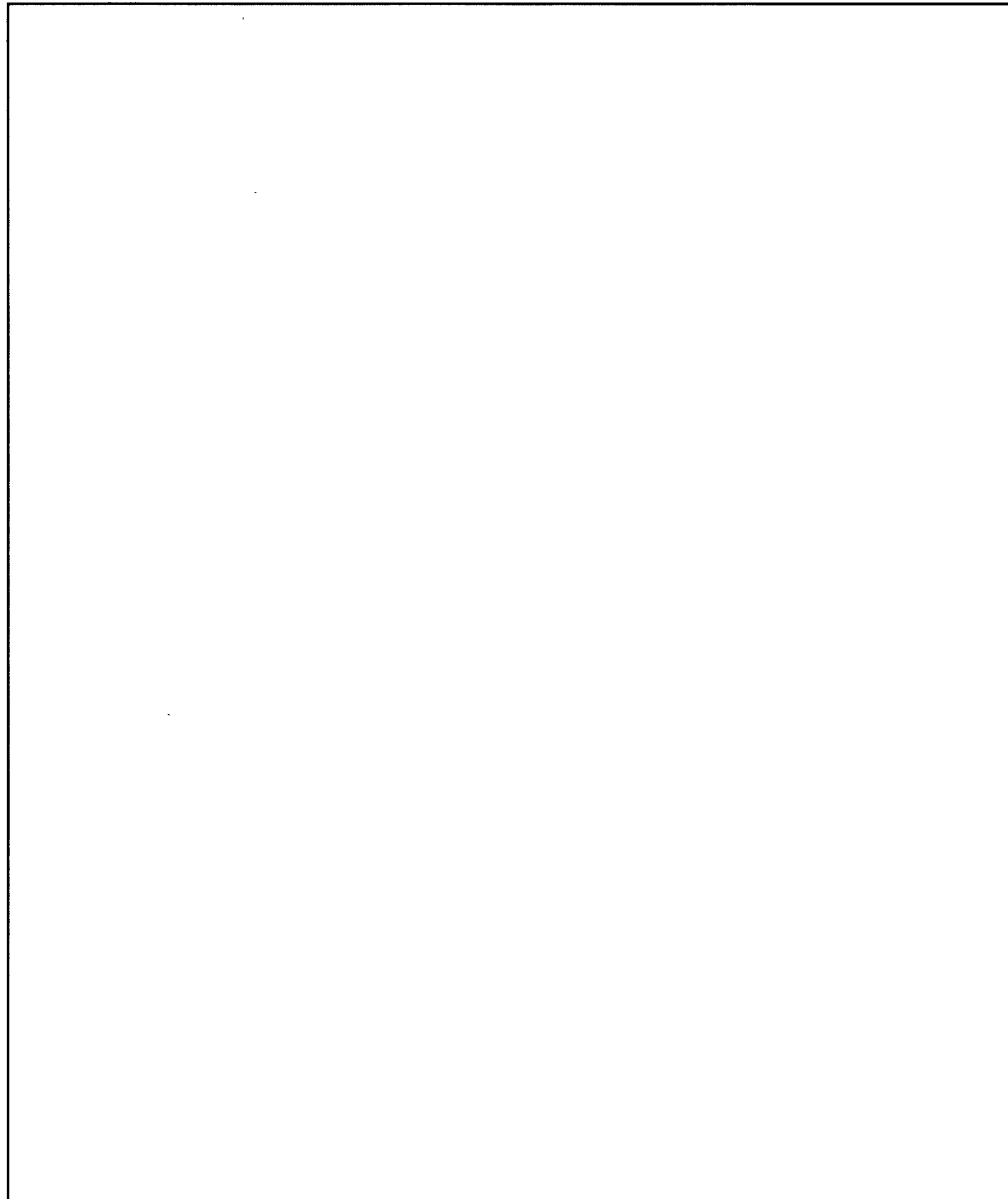
All three initiatives, but particularly EUROFORM, have the task of supporting measures and projects under thematically-related programmes and providing them with a European dimension by promoting transnational partnerships. These programmes are as follows:

- **EUROTECNET II** (1990-1994): to promote innovation in both initial and continuing vocational training in the light of the effects of technological change;
- **FORCE** (1991-1994): an action programme to promote continuing vocational training, with the emphasis on SMEs;
- **LEDA II** (1990-1993): an action programme to promote successful and innovative job creation schemes at local level through cross-border networking and exchanges of experience;
- **ERGO II** (1993-1996): to support initiatives to combat long-term unemployment;
- **PETRA II** (1992-1994): vocational training for young people and preparation for adult and working life.

**ESF
Community
initiatives
and
action
programmes**

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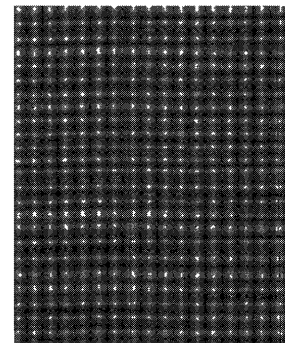
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Social crisis management



Social Crisis Management

B1

Introduction: Who takes action? Those expected to respond in the event of crisis

One might normally assume that there is no need to ask who will take action in the event of crisis. The people who are affected and who realise that they are affected will take action of their own accord. But the people who are affected do not always realise that they are affected. Not least because it may cost money. This type of thinking may cost a company, a region and sometimes a government dear.

The question that should be asked is, as a general rule: **Who will not take action?**, **Who will take action in what way?**, and **Who should take action in what way?**

These questions will determine who must activate whom, and in what way. These are the questions that decide on **conflict or consensus**. This manual, which deals with social crisis management, naturally seeks primarily to find a balance of interests and consensus, while conceding that consensus frequently cannot be achieved without conflict.

The crises referred to here are usually of vital importance for the majority of those concerned. This gives rise to many imponderable factors. If you allow people to get into hopeless situations, or even if you simply contribute to a climate where the subjective impression of hopelessness can arise, you must accept that you are creating an unpredictable situation. The same applies in the opposite case: anyone who smooth-talks situations and makes untenable promises will be judged by his promises.

In this book we can only give a very approximate indication of the way in which crises in major companies or entire sectors of the economy should be managed in a particular country or region, as this is dependent on:

- the structures and procedures existing in the country concerned and the forms of regulation laid down through laws, decrees, collective wage agreements and local plant agreements;
- the national industrial culture and the political culture of a country or a region;
- the company philosophy in each case, and perhaps even the sector philosophy (such as the German Iron and Steel Codetermination Law of 21 May 1951);

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- ideologies and strategic tendencies within organizations and institutions and in the heads of their leading representatives; and
- last, but not least, the persons on both sides of any negotiations.

This is why nothing more than an approximation can be given here of what is to be done by whom. The following list of players and tasks can be used as a check-list and a source of ideas. It is clear that when coalitions are created with the aim of damage limitation and problem solving, new solutions will emerge in every new crisis.

One exceptionally important actor is not included in this list: the media. The manner in which they describe and portray events and developments often plays a major part in the development of the social climate in a region. The media are jointly responsible for the collec-

tive frame of mind of the people living there. They put a face on the crisis.

The journalists are not the ones who make the news, of course, although they select items, report on them, write them down and give expression to them. The manner in which they do this contributes to a sense of indignation or matter-of-factness, realism or uncontrollability, dejection or rolling up the sleeves ready for action.

Conflict or consensus - all players seek media presence and are tempted to use the media for their own purposes. It is the duty of everyone to discover ways out of the crisis, and to forge a profile for the future. If they are not up to this task, then it is the job of the media to remind them of their responsibilities and even to seek ways out themselves - if necessary by drawing on news items from elsewhere.

Notes

B2

Board of Management and Supervisory Board

They are responsible for the company, and their first duty is to ask themselves how they are involved in the crisis. The answer to this question will have a decisive effect on determining the future prospects for the company or plant. These prospects will in turn play a very large part in determining the strategy and combination of measures to be used to reduce personnel.

Top management thus has responsibilities for the workforce and their families and, in view of the size and regional significance of the plants, generally for the region, too. If they are insufficiently aware of this social responsibility, there will be no shortage of people to remind them of it publicly, on the street and in the media, and at numerous meetings and assemblies.

Finding a balance between the interests of all these parties, and making a sincere effort to establish it are the criteria by which they will be judged as persons.

Their first and most important obligation is to inform employees of the company, or at least the body representing their interests, in good time and in detail about the situation and, if possible, about the intended nature of the approach to be adopted to it.

The challenge will then be to identify the correct level for negotiating accompanying

measures to deal with social crisis. In the case of sector-wide crises, agreement must be reached with the sector representatives on both sides (employers' association and trade union), in order to place an obligation on the national government, which must be involved in any case because of the ECSC aid available. The size of the package of measures normally also means that early retirement, in-service training and retraining programmes and unemployment have to be discussed with the Labour Market Administration at national level.

Irrespective of the degree of prominence of the federal or regional autonomy structures in the individual countries, this level is of great significance both for the implementation of regional support programmes appropriate to the situation, and for their concrete administration and realization locally. Effective coordination of the efforts of the individual municipalities concerned may play a decisive role in the success of a re-industrialization strategy, especially in the absence of developed consensus-forming structures at this inter-communal level.

This aspect is important for the company management even if it is not interested in assuming regional responsibility, or if the one or more plants in this region are to be shut down for good. Not least because the marketing of the abandoned industrial sites depends on the efficiency of such re-industrialization programmes, and hence a considerable margin of liquidity or scope for investment.

This is all the more relevant if it is hoped that the company and one or more of its plants

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in the region will survive, or possibly even be strengthened by, the crisis. Then an important factor in choosing a company site will be whether the regional economic structure, newly created or emerging from the efforts at re-industrialization, meets the changed needs of a modernized major company.

This calls for a clear forward plan and modernization strategy, showing definite policy choices to the company employees and the outside world. This should be seen as the principal duty of the top management of the company, alongside the task of creating favourable framework conditions for the management of social crisis.

Notes

B3

Personnel Department

Crises on the scale discussed here are without any doubt a matter for senior management. However, the planning, preparation and implementation of staff cuts and all the accompanying social measures are a matter for the Personnel Department. Careful concertation and, where appropriate, the negotiation of an accompanying package of social measures with the Works Council or the trade unions are central tasks. The factual expertise and social sensitivity of the Personnel Department can greatly influence the conduct of negotiations, the atmosphere and thus the human element over and above purely functional aspects.

This can upgrade the specific gravity of the Personnel Department in the internal balance of

power within the company. This specific gravity is frequently not highly developed during normal periods in the mining and steel sectors. But it should be possible to prolong this upgrading effect, at least in the medium term, if the process of staff reductions can be successfully combined with setting new trends for future employment policy as part of a modernization programme (to the extent that it is to proceed at all).

This upgrading effect is particularly clear in the increased importance of training and/or further training activities associated with the many transfers that result from early retirement and other forms of non-targeted personnel reductions. The greater the success achieved in gaining the initiative in organizational changes, the larger and more durable the upgrading effect should be.

Notes

Notes

Notes

B4**Works Council**

Not all countries of the EC have Works Councils. Where they do not exist at all - or not in the form meant here - the trade union(s) will take on many of the tasks. The expression 'Works Council' is used here to denote any representation of interests elected by the employees (not just those who belong to a union) in a works or company. It is only possible to make an educated guess at how the weighting, and thus possibly the work, is split between the two where there is both a Works Council and a union.

Provided that it is not steering an out-and-out collision course, the Works Council will almost unavoidably find itself cast in a management role in serious crisis situations - meaning either co-management or counter-management. In any of these two cases: **solidarity demands efficient management**. The Works Council would be well advised to assume this role consciously. It is its first and most important task. If it is a matter of negotiating a balance of interests, and the best possible conditions and accompanying measures, then the Works Council has no option but to bargain over the funds available for distribution. If it is not offered such involvement, then it should fight for it. It is essential in such a case for it to think and act consistently from the point of view of the workforce (its own future will of course be at stake in the event of total closure).

As a rule, the Works Council is just as familiar with the ins and outs of staff cuts as the

Personnel Department. It is thus not unusual for the Works Council to recommend the use of other instruments, or a different combination of instruments, from those proposed by the Personnel Department, if only because this enables more employees to keep their jobs - albeit perhaps only for a little longer.

If, though, a works is to continue to operate with reduced manning, or if there are plans for very far-reaching modernization measures, the Works Council will simply have to formulate its own view and (negotiation) basis and take a longer-term look at its jobs and organizational and training measures. And why should the Works Council not also turn its attention to investment measures, new technologies and new product lines? In times of crisis, plans always tend to be laid for the longer term, whether consciously or unwittingly. If management for its part fails to give any strategic consideration to continued production, then the Works Council must urge it to do so, so that this specific aspect of crisis management can be discussed openly, and indeed publicly.

The Works Council, that is, the body elected by the employees to represent its interests, also has a regional responsibility. It cannot see itself simply as representing the people who are in work. People without a job, or in imminent danger of losing it, have just as much right to have their interests represented. Who, other than the Works Council, should act on their behalf inside the company and, for instance, bring pressure to bear for investment to take place in that region and nowhere else? It might be said that this marks the start of the unions' responsibility in the region. That is not enough,

**Task 1:
Management
of solidarity**

however. Works Councils frequently have direct access to information and are involved in decisions. They are able to do a lot and to make a lot happen - the kind of things that no one would give a thought to if the Works Councils did not address them.

Precisely because they are able, in their capacity as advocate of the employees' interests, to argue unswervingly from the point of view of the region, they are frequently in a position to formulate clear and thoroughly reasoned objectives and strategies, and so designate and forge the necessary alliances.

Seeking allies for the region, in the region and beyond the region: this is the second central task of the Works Council. Each of its elected members must first ensure that "his" union, in which he usually also performs an important function, is involved in the mobilization of resources at all levels up to and including the national government. There have also been cases where even the national government had to be by-passed in order to secure assistance from

the European Community, for example funding for re-industrialisation.

The Works Council needs allies above all in the region. Conflict or cooperation: It must seek out public support in order to have a strong presence at the negotiating table. Depending on the scale of the crisis, a broad alliance is necessary: the media, local authorities, businessmen, churches, associations, and the whole of organized society all have to send out signals - not just an SOS, more like a rolling-up of sleeves and an appeal to society's vision of the future. It is truer in times of crisis than at any other time that help is only forthcoming to those who show signs of helping themselves.

This mobilization can only succeed if the Works Councils, i.e. the people who belong to the Works Councils, are perceived as standing for solidarity and vitality. This is a part of the responsibility for which they stood and for which they were elected. Simply calling for something to be done is rarely enough.

Notes

Task 2: Seeking allies for the region

Notizen

Notes

B5

Trade unions

Where there is no division of work between Works Councils and the trade union(s), the tasks of the former will also fall to the latter (*see Section B4*). The boundaries are flexible, however, and the allocation of tasks is never exclusive. As a general rule, individuals are elected to the Works Council from lists of candidates drawn up by the unions. And without the support of the unions, most Works Councils would find it virtually impossible to undertake the activities demanded of them.

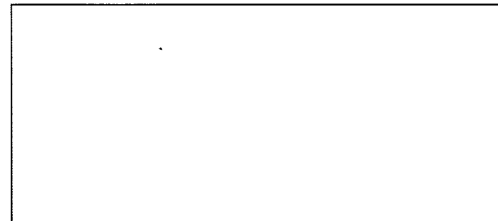
What are the most typical tasks facing the unions in times of crisis? The answer is the same as for the Works Councils: **to organize solidarity and mobilize an imaginative response**. As a country-wide organization, they are able to offer support at local, regional and national level. If they actually succeed in pulling together with the representatives on the employers' side on a series of central questions, it will be easier to enforce demands at national and European level. The task facing them is thus, in the first place, to offer solidarity as a trade union and to forge links with the principal objective of preserving jobs in the regions concerned.

Given the situation in the coal and steel industries, there is no longer any point, and has not been for some time, in saving jobs unconditionally in the old industries. Structural change must always be included in the equation. In the interests of the affected regions, the

unions must ensure that there are new jobs to replace the old. With this as their objective, they can become the most important allies of the regions.

Companies rely on being offered favourable framework conditions for modernization or new investment. If a traditional industrial region is unable to guarantee this, there is always another which can. In the interests of the large concentration of jobs in these regions, a quasi-natural alliance could be presumed to exist between the unions and the regions in respect of the defence and winning of jobs. Unfortunately, this is not always how the two sides see the situation and respond in practice.

There is one further important area in which they could and should pull together: the quality of the jobs and the quality of the workforce in a region. A structural crisis provides the opportunity for considering this in depth. Many is the union that will be obliged to change its spots more than once, because it also means that its clientele changes and that it must change itself if it is to remain or become attractive for "the new workers" in more modern or modernized industries. Structural crises are crises of identity and existence for the unions. Their principal task is thus: **to turn development into progress**.



**Organizing
solidarity
and an
imaginative
response**

**Turning
development
into
progress**

B6

Business Federations

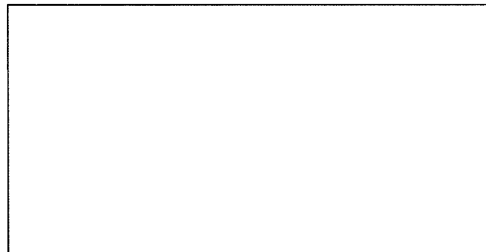
The role and importance of business federations differ very widely from country to country and from sector to sector. They exist as pure pressure groups or as employers' federations empowered to enter into collective agreements, and even combine the two functions. We have assumed here, for the sake of simplicity, that they combine the two. Whatever is said about their (possible) role in crisis management in each individual case must be set against their actual function and their ability to bring influence to bear.

For one thing, their natural task is to look after their members' interests. A great deal depends on a coordinated and purposeful procedure in the event of an industry-wide structural crisis. This applies not only to giving guidance to members, but also to **negotiations with the unions** and **negotiations with the government**. Creating such clarity of purpose is thus of great importance. This includes making a careful analysis of the international market and its principal trends, as well as continuously observing the direction of technological innovation. Both count as standard tasks. A further function, although one which is performed far less frequently, is the supply of detailed information to members in respect of what scale of job-shedding is considered socially acceptable. And the extremely important task of generating discussion on what changes are needed in terms of work organization and qualifications in the wake of modernization and drawing attention to new

developments is generally regarded as down-right "dirty".

It is highly advantageous if the entire sector can speak with one voice in its approaches to government, i.e. the unions must also pull together, and in the same direction, at least on fundamental positions. This even applies to conservative (i.e. more capitalist-inclined) governments. To achieve this, it is necessary to negotiate with the unions, provided that they are willing, and to search for these common fundamental positions. Any offer that is both serious and capable of negotiation will strengthen the position in the eyes of the public and the politicians.

Business federations are organized nationally and regionally as a general rule. Both levels are required to take regional responsibility in the event of structural crises. Large industries are frequently concentrated on only a few regions, and in the case of coal and steel the regions are almost always the same for both, for historical reasons. This is why the national level must also include in its negotiations with the national government proposals to support the regions affected. Although the regions themselves are also represented for the most part in such negotiations, they will still be thankful for this support.



Notes

Negotiations with unions and government

Information on the development of markets, technology, organization and qualifications

Notes

B7

Managing structural change and upheaval

Local authorities

Alongside the persons affected themselves, the local authorities are the sufferers in a structural crisis, and in particular if an entire site is closed down. Structures which have grown up over many generations can be called into question or dismantled over the course of only a few years. The major mining or steel companies :

- were at the centre of economic life, and numerous other businesses were dependent on them;
- determined the labour market;
- were the principal providers of vocational training;
- represented the main source of income for a very large number of families;
- not infrequently also dominated large parts of the housing market;
- as taxpayers, represented the principal source of revenue for the local authority (in Germany: local trade and industry tax);
- played an essential role in the organization of public life, through their support for associations, cultural events and, not least, for local politics, even to the extent of their internal company management structure giving a lead for the social and political culture of the municipality, or even of entire regions, as in the case of German “codetermination”.

It is these local authorities which have to deal with **structural upheaval**. If they are to

survive at all as a viable industrial location, they frequently have to cope with a veritable “leap in time”.

In the absence of a time machine, their principal task is to bridge structural upheaval, to create temporary solutions, and to plan a new start. The time available to them for this varies. Many structural crises last for ten, twenty or more years, with peaks, brief pauses for reflection, and troughs when unemployment is rife. People learn to live with this, however. In other cases the upheaval occurs within only a few years.

No matter what the situation may bring in individual cases, such upheaval can only be managed successfully if, in the final analysis, the local level (meaning politicians, authorities and institutions) succeeds in consolidating at least the most important social forces, **in formulating objectives capable of attracting consensus and in establishing decision mechanisms capable of leading to consensus**. If not, any structural innovation will lead to strength-sapping conflict. And in the competition between municipalities, others will make the running, with more finely-tuned proposals, for the pots of gold on offer from the regions, national governments and the European Community. The fact is that public-sector aid represents the lion’s share of the money with which existing small and medium-sized companies can be reorganized, maintained or supported in their expansion, new investors can be attracted, and new firms created in the region.

Especially large amounts of financial support are required for the development of new industrial areas or, frequently more important,

Work towards achieving consensus

for the decontamination of old industrial areas, given that this is frequently not done by the companies which contaminated them in the first place, or in view of the enormous sums which such work entails, cannot be done by them without jeopardising jobs elsewhere.

The indispensable structural services which have to be provided by the local authority in overcoming such upheaval include the expansion (or, if need be, creation) and professionalization of a department for **economic, structural and employment promotion**. An error which is frequently (initially) committed in this respect is to attach such excessive importance to the economic promotion activities that employment promotion is left to trail behind.

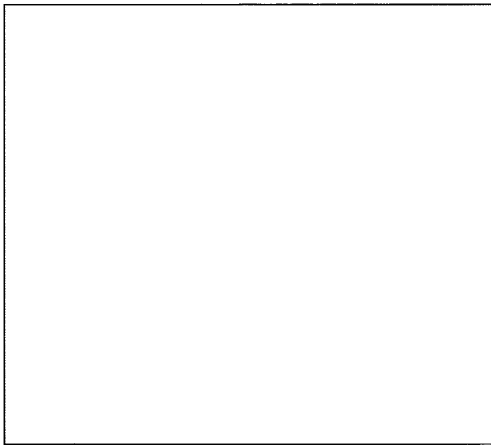
Employment promotion, however, with its dual task structure (jobs supported from public funds, and mixed public/private-sector in-service training and retraining) serve as an important bridge between the past and the future. The strength of this bridge is perceived by many investors to be just as important as good (physical) communications. The attractiveness of a location will decline abruptly without a well trained, flexible and adaptable workforce (and concrete evidence of its existence for investors).

This forms part of a more comprehensive approach involving the realisation and expansion of the **endogenous potential** of a municipality (or region). Of course, that does not exclude the possibility of introducing completely new elements into the economic structure. After decades of monostructure or a unilaterally dominated economic structure, diversification now belongs to the basic principles of

municipal common sense. Experience nevertheless shows that the establishment of large businesses tends to be the exception, whereas the bread-and-butter involves providing support for small and medium-sized businesses. Consequently, the **care and maintenance of existing businesses** is one of the most urgent tasks facing properly conceived economic and structural promotion.

Finally, local authorities would do well to treat neighbouring municipalities not only as competitors, but also as potential partners in the development of mutually beneficial structures and cooperating with them on matters of common interest (for instance, roads, waterways and airports).

It is no easy matter to achieve all this, at a time when tax revenues are falling with the crisis and the escalating (duration of) unemployment is increasing the burden of social services. It calls for integrational ability on the part of the politicians and the courage to grasp new opportunities.



Notes

Promoting business and jobs

Developing local potential

Looking after what is already in place

Notes

B8**Region**

The meaning of the word 'region' is admittedly somewhat imprecise, but it has to be used here to overcome the considerable differences in State structures within Europe. The significance of decentral territorial units varies very considerably in the different countries. Region is used here to denote both partially autonomous federal units, including provinces and, depending on their size, administrative units below this level, and simple coherent areas with certain common characteristics and interests, such as coal and steel and their structural crisis. The Ruhr (Germany), for instance, is not in any way a decision-taking or administrative unit. Nevertheless, it has a well organized lobby in the form of the Association of Ruhr Municipalities (which has no formal powers).

No matter how a region is or is not composed, if it wishes to acquire maximum levels of aid at a national or European level in order to manage structural change, it is advisable to identify common objectives for the entire re-

gion or, should this not prove possible, to find at least a "common language" in order to be accepted as worthy of support, and to obtain support. This can occasionally prove very difficult in times of neo-liberal governments.

Final decisions regarding the distribution of aid still have to be taken, though, especially in large regions which are sub-divided internally and have a number of centres. A method which has proved successful here is, in line with the EC aid philosophy, for the principle of subsidiarity to be applied to the decision-taking process in such a way that decision-taking expertise is maximised as close as possible to where the aid is needed. This nevertheless calls for regional consensus-building mechanisms, bringing in all relevant players in a proper balance. Not only does this reduce conflicts; it is at the same time an instrument for monitoring the application of funds.

It is at least equally important to encourage involvement and so create a broad awareness of responsibility for the reconstruction of the region. It is absolutely essential to avoid giving the impression, both internally (for one's own self-awareness) and externally (for the image of a region), of being a helpless patient.

Obtaining aid

Creating
consensus**Notes**

B9

National Government

Regions which are facing processes of upheaval on the scale of the coal and steel sectors cannot be left to their fate. They need many forms of help and support. This is in no way a self-evident fact in times of neo-liberal governments.

East Germany provides a unique example of the devastating effect of neo-liberal policies, showing with frightening clarity how total blight can result if regions are simply left prey to the notorious “self-healing” forces of the market. It also shows how enormously difficult, if not impossible, it is to arrest or even reverse a de-industrialization process once it has got under way or, even worse, reached its logical conclusion.

The dismantling of large industries on a massive scale in a region must accordingly be associated from the start with measures aimed at **re-industrialization** and at attracting potentially successful businesses and services. This cannot be done without external aid. It is thus the task of national government to organize national solidarity or, to put it more plainly: **financial redistribution**, and also to obtain support funding for this purpose from the EC. What was stated in Section B8, Regions, about the application of the principle of subsidiarity also applies here. However, this calls for a more federal approach, which is not in favour in all European countries.

The **provision of aid** just one of a number of forms which are conceivable and practicable. The possibility exists of combining large amounts of support for new plants in other sectors with the obligation to locate the plant at a particular site. The support of the national government may be of critical importance in attracting foreign investors. It is not absolutely essential for national authorities and institutes, etc., to have their offices in the capital in order to operate effectively. This principle can be adhered to at least when setting up new authorities. This is the case in traditional industrial regions, in particular when establishing environmental protection facilities.

Alongside these future-oriented activities, it should not be forgotten, of course, that the main concern is to help the people who are directly affected. The national government is required under the terms of the bilateral agreements with the ECSC to come up with at least 50 per cent of the **aid** in order to obtain ECSC funds (*see Section A2*). In addition, the Labour Market Administration, whether organized along governmental or para-governmental lines (*see Section B10*), must be supported in its work of developing and implementing temporary solutions and training opportunities for people threatened by unemployment, the unemployed and, in particular, the long-term unemployed. It may be necessary for this purpose to issue new regulations or to amend existing **legislation**. Finding majorities in Parliament is not simply a matter for the political parties, but also for the government.

Notes

Re-industrialization

Redistribution of national resources and provision of aid

Aid

Regulations and legislation

Notes

B10**Labour Market Administration**

In most countries, the Labour Market Administration is the most important partner of employees, businesses and municipalities in terms of social crisis management. In addition, because of the way it is financed, it is the all-important solidarity fund for the management of individual predicaments: **unemployment insurance**. Not only does it pay unemployment benefit or, subsequently, unemployment assistance, it also frequently has a monopoly in respect of **placement services**, as well as the task of organizing and financing **in-service training and retraining** for the unemployed or those threatened by unemployment.

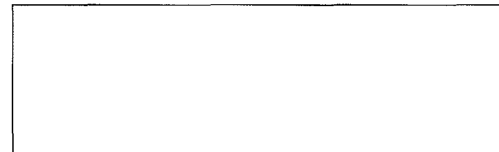
It also plays an important role in avoiding unemployment by making **short-time working benefit** (see Section D24) possible without serious financial drawbacks. Employees keep their jobs, and the business keeps high-quality employees; all in all, this is an important means of enabling businesses to pause for breath, or at least of giving a longer breathing space for the careful planning of crisis management.

In most countries, the regional labour market administration is also the most important partner and financial anchor for local authorities, businesses and employment initiatives as regards the financing and implementation of **employment measures for the long-term unemployed** (see ABM in Section E16). Such

measures are frequently the sole bridges leading back into the regular labour market. This is an instrument that can also be adapted to regional situations. It is thus possible, depending on the level of long-term unemployment in a particular region, to lengthen or shorten the period of unemployment which gives entitlement to one of these schemes.

The fact that the Labour Market Administration operates at national level enables it in many respects to act as an important decision-taking and coordination body. It is expected to ensure not only that those regions which are worst affected also receive the largest quotas. It is also able, by organizing exchanges of experience and ideas, to help in eliciting an imaginative response (in conjunction with identifying suitable areas for the implementation of employment projects). Important pointers to vocational training policy can also be identified by observing and analysing longer-term trends in the national labour market.

It is an indispensable partner in the concert of local or regional players whenever the question arises of organizing in-service training and retraining in harmony with the re-industrialization process. Such processes do not always follow national trends, especially in terms of timing. This is why considerable importance attaches to the accurate **observation of the regional labour market** by the Labour Market Administration.



Unemployment insurance

Placement service

In-service training and retraining

Short-time working benefit

Job creation measures

B11

Other institutions and organizations

There are a considerable number of institutions and organizations capable of playing a part in the social management of a crisis. Only the most important ones will be mentioned here: political parties, Chambers of Industry and Commerce, churches, charitable institutions and associations.

The **political parties**, as organs for the development of political objectives and the exercise of power, are in a position of special responsibility, whether in power in local, regional or national government or “only” in opposition in national parliaments or local or regional councils. They are rightly held accountable for the success or failure of crisis management in the region by the voters. Their task is to make sure that people are content. This is the yardstick by which their performance and behaviour must be measured. Accordingly, they are all expected to help elicit an imaginative response, to find solutions and sources of financing appropriate to the problem, to organize effective emergency structures, and to embark on promising development paths.

The **Chambers of Industry and Commerce** do not have the same significance in every country as they do in Germany, where membership by businesses is compulsory. As a result, the official functions of the chambers differ considerably from one country to another. A few notes on possible areas of involve-

ment in times of crisis are nevertheless called for here. They serve an important function in the collection and preparation of data of relevance to the market and to business for existing companies and budding entrepreneurs. In addition, they are required to provide a good range of management training courses. If it is true that people’s capacity for work is a significant factor in investment location decisions - something which the Chambers never grow tired of emphasizing - then the supply of entrepreneurial expertise is one of their principal duties. Finally, in a market economy an association of businesses can reasonably be expected to contribute to structural change and to the way out of the crisis. One of the most common activities of this kind is their involvement in the initiation and consolidation of business and technology incubators, which generate fresh impetus at local or regional level and open up development paths. The fact that they are extremely receptive to any official support, contrary to what they tend to preach, simply shows how realistic they can be. This enables them to be important partners for economic and structural advancement at local level, and to act as a central pillar for any existing consensus-finding mechanisms.

The Christian **churches** have special responsibility in times of crisis, because of their self-appointed charitable/philanthropic mission. This they can discharge in many ways. In many places, this takes the form initially of involvement in workers’ struggle against threatened plant closures and for more social forms of crisis management or for alternative jobs. Philanthropic activity, which boils down to solidarity, has frequently caused the churches to become the most important originators of employ-

Notes

Political parties

Churches

Chambers of Industry and Commerce

Notes

ment initiatives and of employment measures for the long-term unemployed. Of course, philanthropic activity also has an important role to play in many areas in the form of charity, i.e. the provision of individual aid. The ability of the church to ease the burden of unemployment for some individuals through prayer may be mentioned here in passing. In all these functions, the churches can be major players in the context of consensus mechanisms, and an important participant in local debate on crisis management.

Charitable associations

Charitable associations, like church charities, have more to do at times of crisis, when the badly-off tend to become even worse-off. Alongside the aid that they provide for individuals, they are generally important sources of additional employment of benefit to the community.

Associations

There are **associations** for almost everything in most countries, and for everything in Germany. They represent one of the most im-

portant ways in which society can be organised along non-governmental lines. Their strength lies in the fact that they follow only a single specific purpose, which all those involved in the association regard as common. Although their influence has declined, sports associations, for instance, are almost everywhere one of the most important non-commercial, organized leisure structures. This form of association imparts stability to social structures and makes them relatively independent of commercial or government facilities. Although associations are naturally also subject to change, and cannot prevent social change - for example the strong trend towards individualization amongst well-qualified and well-paid employees (the real winners in the crisis?) - they are one aspect of continuity which can be of great importance in times of rapid change.

Notes

B12

The European Communities

The European Communities became an extremely important agent of social crisis management during the 1980s. Whereas they were always important for coal and steel through the **ECSC**, they were able to build upon this importance quite significantly above all through the **Structural Funds**, the Regional and Social Fund. The Structural Funds, now supplemented by the **Cohesion Fund**, have become socially and structurally the most important redistribution mechanism at European level.

Without the support for structural change through the **ERDF (European Regional Development Fund)** and tailor-made programmes for regions hit by industrial crises, it would not

have been possible to introduce many of the structural innovations which today represent promising points of departure.

The extremely large number of employment initiatives, with their wealth of ideas securing millions of jobs, at least temporarily, would have been unthinkable in many places without the support of the **ESF (European Social Fund)** and its action programmes targeted at problem groups; in their own way these achieve just as much for the social cohesion of Europe as trade does within the economy. European **Technological Support**, with its strong orientation towards **small and medium-sized businesses**, is yet another highly significant driving force for technological and regional change.

A rather more detailed presentation of these activities can be found in *Section A2*. For this reason, we have dispensed with a more detailed description here.

Notes

**ECSC
ERDF**

E S F

**Technological
development**

SMEs

see A2

Notes

Notes**B13****People**

I almost forgot. This Section dealing with the principal social actors in the event of crisis cannot be concluded without naming the main actors. They are the employees and their families in the regions concerned, and all those people who are actively involved, in one way or another, in the management of structural change, either by trying to make the best of it, or by giving a lead, through ideas and energy, for their fellows, for their personnel, for a company, or for the region as a whole.

We are inclined to view society and social change in terms of social structures and developments, organizations and institutions, and givers and receivers of funds. This is legitimate, because it helps us understand and facilitates communication. What we frequently overlook, however, when considering the whole, is that it is people who really count.

It is their lives that are affected by job losses and plant closures, structural upheaval and structural change. People have to deal with their life crises themselves. And what else is it but a life crisis if a 40 year-old has to learn a new trade or profession? If you have to move without wanting to? If you have to retire at 50? If winding tower and blast furnace, which you have known for your entire life, are torn down? Worse still, if you have to help tear them down? If you lose your own roots? If the new job is not suitable for an old worker? If you have to accept a "job creation measure"? It matters little how much help you get to learn to walk again. Crutches are useful, but you still have to do the walking yourself.

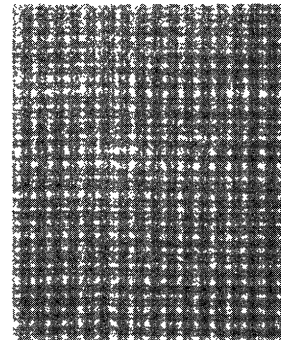
The point here is not to complain, but to provide food for thought. Structural upheaval and structural change are things that affect people - bones and brains. I almost forgot to say that.

Notes

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What needs to be done?
Ways and means of shedding
jobs in times of crisis**
- C2 Measures achievable in the
short term**
- C3 Measures achievable in the
medium term**
- C4 Measures achievable in the
long term**
- C5 Personnel development
planning**

**Social
crisis management
as a
planning process**



Introduction: What needs to be done?

Ways and means of shedding jobs in times of crisis

No two crises are the same. Just as every enterprise, every business is a universe in its own right, so must the instruments used in each enterprise differ in crisis situations, and so will the adopted planning process vary from one business to the next.

There are, of course, a number of fixed points which must be observed in such situations: for instance, legislation and collective agreements. These differ from country to country. In addition, steel and mining are old industries which have acquired a culture of their own over the generations, and from which obligations and also constraints result: acquired rights and deep-rooted traditions, some of which are unwritten and some embodied in company agreements.

In other words, it is at a very individual level that decisions are taken on what can/must be done, how, at what cost and at what price, in order to minimise the (direct and indirect) impact on people and their environment.

Time limits and objectives

Nevertheless, there are measures that can be adopted in one form or another in all serious crisis situations. These are set out in Sections C and D. Section D presents the individual measures and considers the advantages and disadvantages. The principal task for Section C is to examine what can be done, and how quickly.

A distinction is drawn between:

- **short-term** achievable measures, which can be taken immediately or, at any rate, with a few days' notice;
- **medium-term** achievable measures, capable of being introduced with a few weeks' notice;
- **long-term** achievable measures, which can only be realized after months of planning and preparation.

The basic assumption made here is that we are dealing (*see also Section A*) with a **structural crisis**, and that **far-reaching redundancy measures are unavoidable**. In the absence of such an assumption, and depending on the gravity of the crisis, it would be necessary to introduce an appropriate range of measures in accordance with objective criteria, in order to clarify the effect of various measures. This is done in Section D. Such **objectives** can be ranked as follows:

- **Stabilization of employment;**
- **Temporary job cuts;** and
- **Permanent job cuts.**

Notes

Objectives

Notes

Despite the sad fact that a structural crisis leads to the permanent loss of jobs, we must continue to bear the interests of the firm and its staff in mind and not concentrate on one set of measures to the detriment of others. This ranking of objectives applies even if it is clear that thousands of jobs must be lost.

**A
paradoxical
principle**

No matter how paradoxical it may seem: **if job losses on a massive scale are in store, the first priority must be to try to save them.** Compliance with this principle should not only make a significant contribution to avoiding conflict, but should also make it possible to gain time and space for careful planning.

The measures which can be achieved in the short, medium and long term may well differ from country to country and from business to business, depending on how many rules and regulations have to be taken into consideration. A number of measures will thus appear under various headings. In many cases, the implementation time-scale also depends on the existence or otherwise of planning procedures (contingency plans). Of course, it is not a matter of picking and choosing; only by deploying them in concert can the desired effect be achieved.

**Criteria:
Why me?**

Making people redundant during a structural crisis always means the irrevocable destruction of jobs in a company and in a region. Unlike the planning of temporary changes in the workforce to meet short-term economic situations, there are often no universally "correct" selec-

tion criteria. The principle of last in, first out; first in, last out carefully nurtured by trade unions everywhere cannot be applied in such a situation.

The most compelling argument against this "standard principle" is its effect: in industries such as coal and steel with very pronounced continuity of service (seniority), this would predominantly affect young employees - the very people whose skills in modern technology are vital to the future of the company and the region. Certainly, the loss of experience associated with the disappearance of the "old hands" brings major problems for many companies and can actually represent a threat to their survival in certain cases. Nonetheless, there is no alternative (for the time being) to the "representative principle": the old have to go to make way for the young.

This only holds good for as long as there are any "old hands" left. In the coal and steel industries, however, there are hardly any of the older generation left. In addition, the financial burdens associated with early retirement are so great that a further reduction in the early retirement age might well jeopardise the future of the company.

The following list of measures thus does not even attempt to test the individual impact of each and every measure. The **principle** is simply that what can be done must be done in order to save the largest possible number of jobs, and the individual severity of the measure must be alleviated as far as possible.

Companies and unions must be equally keen to observe this social and moral principle, not only because of the human dimension, but also

with an eye to the future. Anxiety is not a sound basis for the survival of businesses in markets where the “quality of work” plays a significant part in determining a company’s position in the market and thus the preservation of jobs.

Planning procedure

Nor shall we attempt here to construct anything approaching an ideal planning procedure. There are too many imponderables: the communications climate within companies, the existence or otherwise of plans, experience gained in similar situations and, last but not least, the resources available.

Two principles are vital to any “successful” crisis management:

- Planning redundancies demands the same kind of careful and systematic approach from Personnel Departments as they apply to the recruitment process;

- As in any comprehensive and far-reaching set of changes within companies and businesses, the effectiveness of almost all measures is reduced without early information for, and understanding by, the employees concerned, and without the active involvement, cooperation and participation of their company and union representatives. They tend to be applied less rapidly, less widely and without their optimal effect, for fewer people, than when steps are taken to make people aware of the situation and of the firm’s predicament and their agreement is sought.

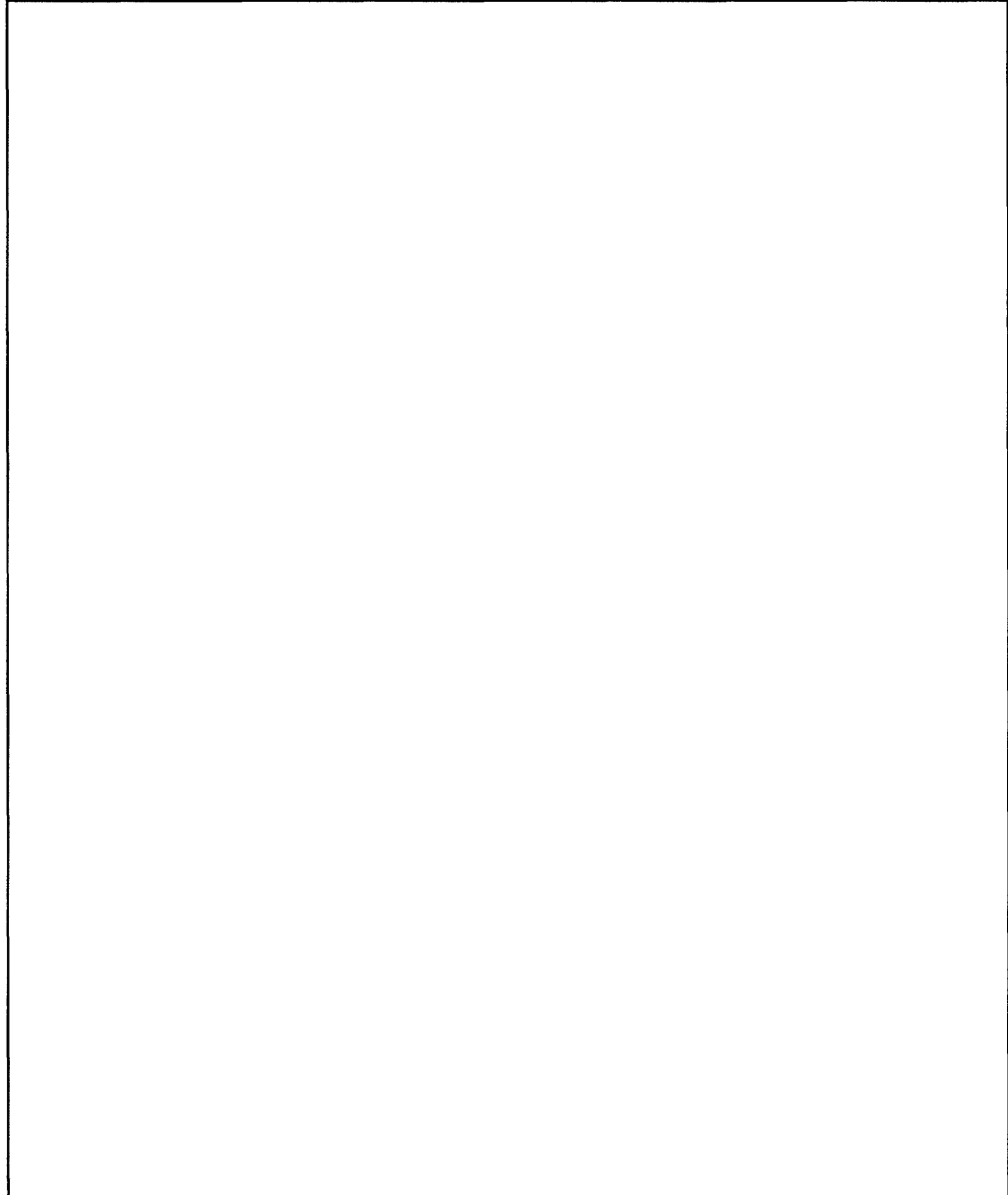
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Two principles:

Laying someone off requires as much care as taking someone on

Searching at an early stage to gain the expertise, comprehension and consent of all people affected

Notes

Notes

Measures achievable in the short term

The following measures* are achievable in the short term, i.e. immediately or within a few days:

- Transfers within a plant or a colliery (*see D2*);
- Creation of task forces, where no such facility already exists (*see D3*);
- Bringing certain work forward: repairs, production, (where possible) increasing stock levels, early implementation of planned investment measures (*see D4*);
- In-house services instead of outside services: replacement of contracts awarded outside (repairs, building work, services, production), where possible in the short term, by having such work performed by the company's own workforce, for example by the

task force, if necessary with the appropriate training (*see D5*);

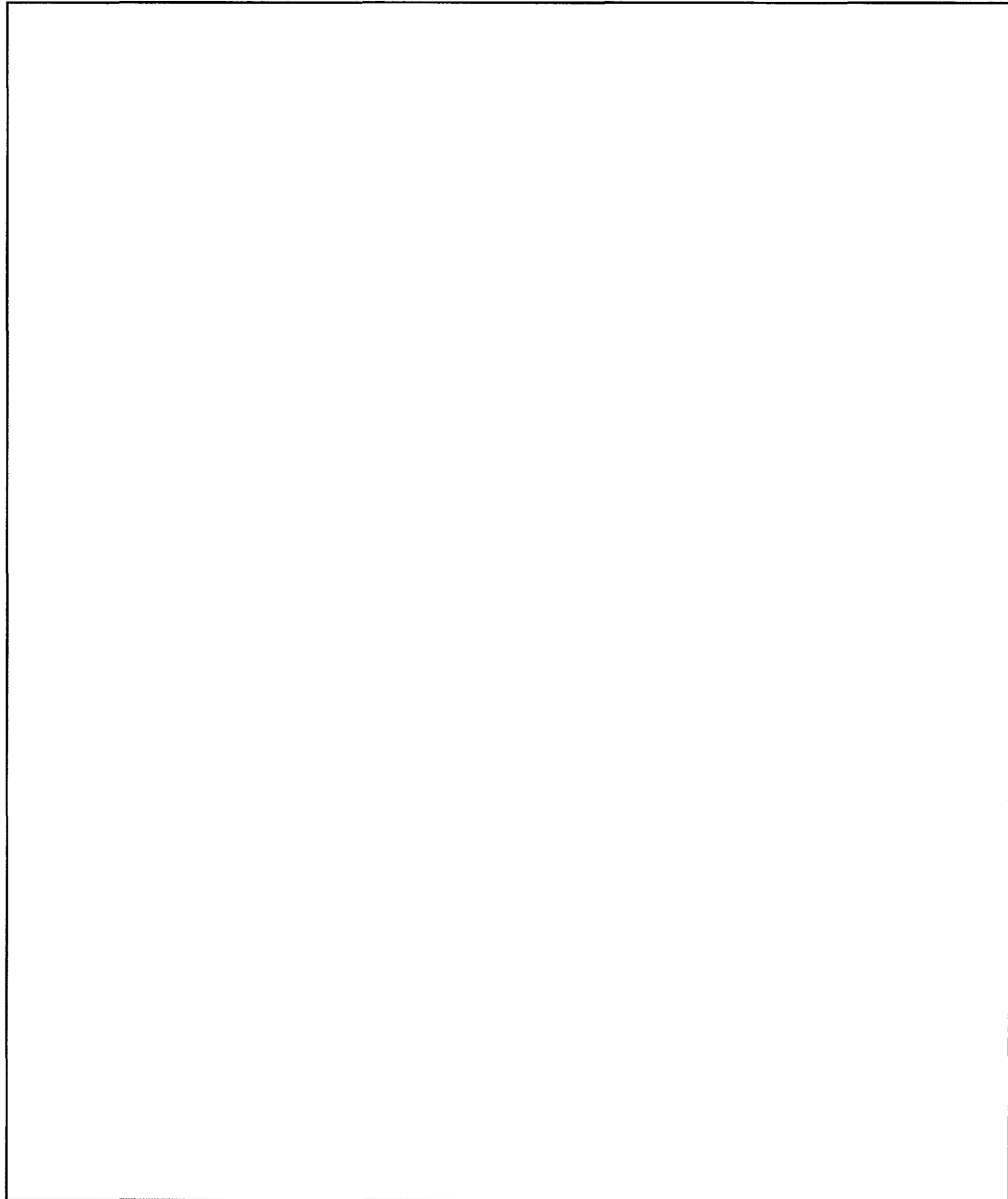
- Internal work creation programmes, e.g. bringing forward maintenance work, clearance and cleaning, infrastructure improvements, occupational safety measures, and implementation of improvement suggestions (*see D6*);
- Temporary acceptance of contracts at less than cost (*see D8*);
- Reduction/elimination of extra work, i.e. overtime, not strictly necessary additional hours worked on Sundays and holidays, and night working (*see D10*);
- Supplying workers on contract to other businesses in the immediate vicinity (*see D11*);
- Paid secondment (*see D17*);
- Unpaid leave, especially "home leave" for foreign employees (*see D20*);
- No further recruitment (partial or total), and utilization of natural wastage (*see D25*);
- Early retirement, taking advantage of statutory possibilities (*see D32*).

Notes

* Authors note:

This list of measures, although amended and expanded by me on numerous points, derives largely from a study by the study group "Engere Mitarbeiter der Arbeitsdirektoren Eisen und Stahl" (Close Associates of the Iron and Steel Labour Directors) at the Hans-Böckler-Stiftung of the German Trades Union Council. It was published under the title: "Personalpolitische Beurteilung von Maßnahmen und Mitteln zur Anpassung an Beschäftigungsschwankungen. Teil 1: Beschäftigungsrückgang", in: *Studien zur Mitbestimmungstheorie und Mitbestimmungspraxis* Nr. 13, Düsseldorf 1985.

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Measures achievable in the medium term

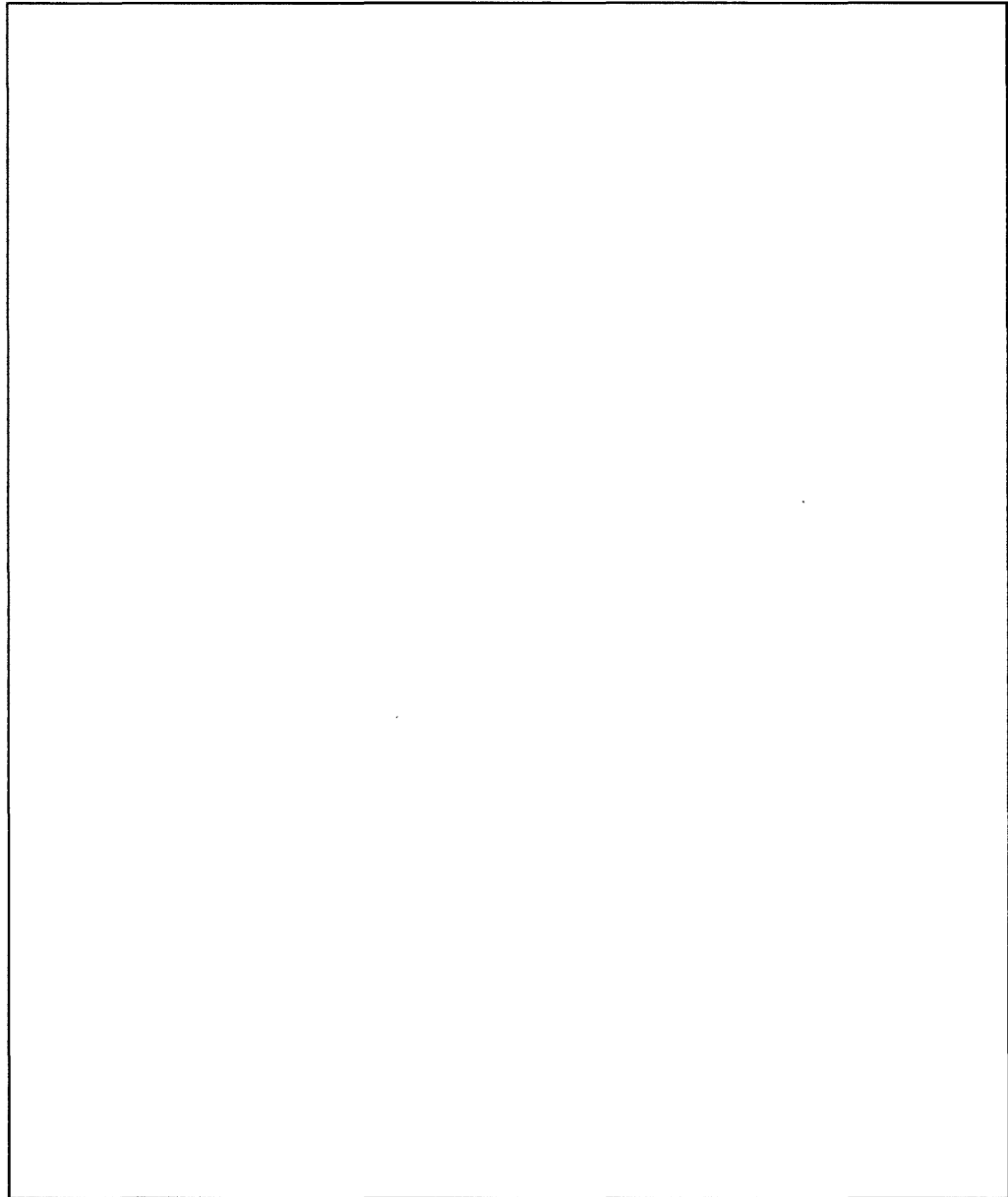
The following measures are achievable in the medium term, i.e. within a few weeks:

- Transfers within a plant or a colliery (*see D2*);
- Redeployment to other collieries or other steel works, if they are a reasonable distance away (*see D26*);
- In-house placement centre (*see D9*);
- Group-wide placement centre, which also deals with placements in group-owned companies in other sectors (*see D28*);
- Accepting work from outside companies (*see D7*);
- Reduction/elimination of extra work as far as possible (*see D10*);
- Allowing limited-duration employment contracts to expire (*see D29*);
- Termination of personnel leasing contracts (*see D12*);
- Bringing holiday shifts forward for particular age groups or groups of persons with continuous shift working or night working (*see D15*);

- Bringing holidays forward (*see D13*);
- Short-duration block leave, i.e. the concentrated taking of collectively-agreed leave (*see D14*);
- Training leave, that is to say paid release from work for vocational, cultural and citizenship training (until now an entitlement in only a few European countries) (*see D16*);
- Extension of existing in-service training measures to a wider range of employees (*see D21*);
- Provision of additional in-service training measures in respect of general or job-specific requirements (*see D22*);
- Contract training for other companies or public-sector training providers (*see D23*);
- Short-time working, i.e. the temporary reduction of the collectively agreed number of hours worked per week (*see D24*);
- Temporary discontinuation (suspension) of employment contracts (not possible in all countries for reasons of employment legislation) (*see D18*);
- Lay-offs with a guarantee of re-employment after a fixed period (*see D19*);
- Voluntary redundancy with compensation (*see D30*).

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Measures achievable in the long term

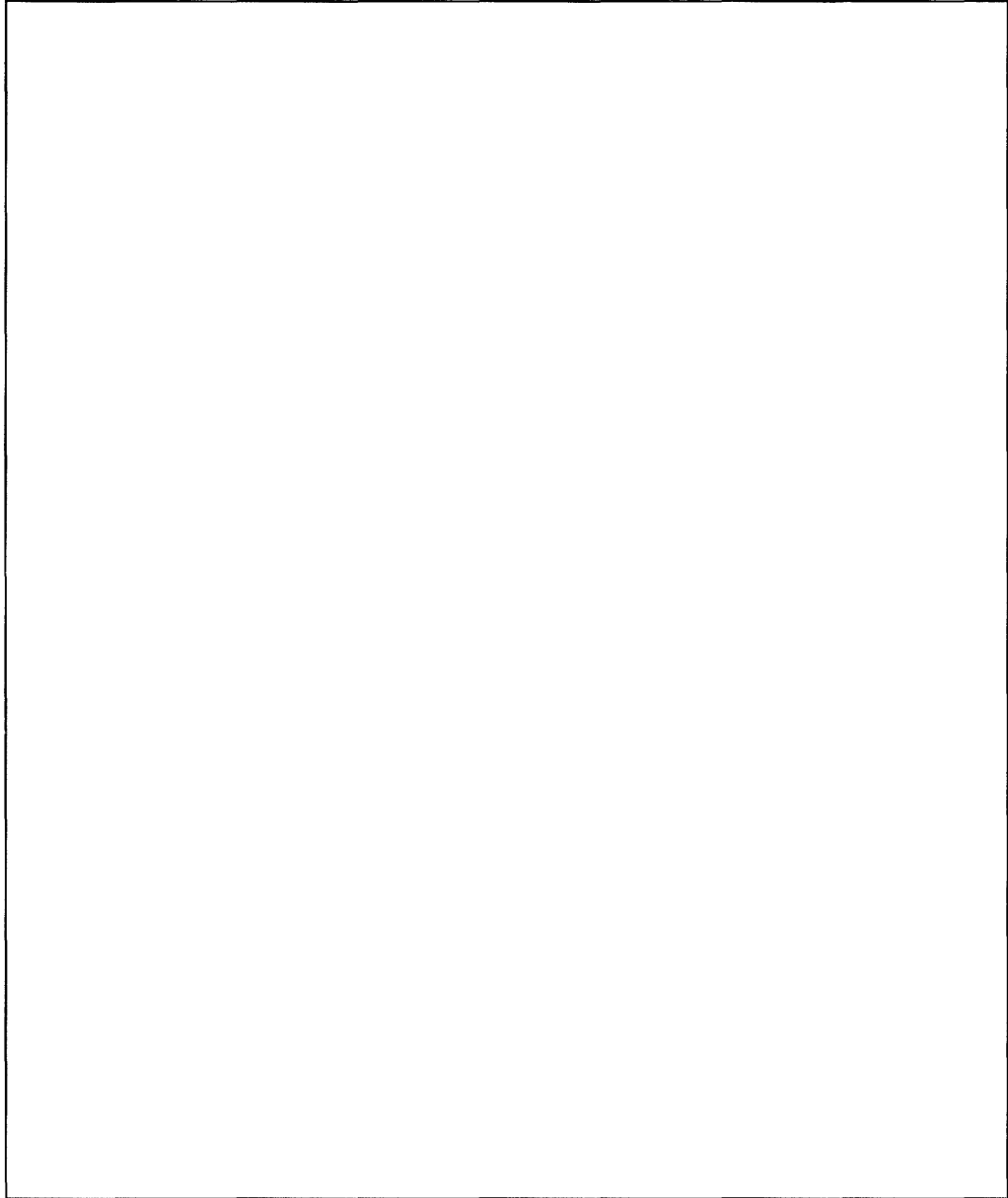
The following measures are achievable in the long term, i.e. within a few months:

- Group-wide placement centre (*see D28*);
- Non-employment of apprentices who have completed their training (in countries with apprentice training schemes) (*see D31*);
- Early retirement in conjunction with other measures such as a social plan or similar packages of measures, which are negotiated as a general rule with the Works Council or union (*see D33*);
- Compulsory redundancies (*see D34*);
- Qualitative flexibilization: comprehensive changes to work organization and training policy, with a view to creating greater potential for flexibility (*see also the following Chapter C5 on personnel development and Chapter D35*);
- Reduction in lifelong working time for certain groups of persons (for example those working under particularly arduous conditions) (*see D36*);
- Reduction in the number of hours worked per year for all employees through shorter daily or weekly working hours, or through other free time arrangements (*see D37*);
- Establishment of task forces (in-house labour pool), where these do not already exist (*see D3 and D27*);
- Support for limited privatization, i.e. the creation of self-employment opportunities for specialized employees, mainly in maintenance and engineering functions, for example by awarding specific contracts (*see D38*);
- Outside services in place of in-house services, i.e. the increased contracting-out of particular jobs and services, where commercially justifiable (*see D39*);
- Support for job-creation companies (*see D40*);
- Measures to promote alternative employment opportunities, for example by providing buildings, machines, services and money, etc (*see D41*);
- Involvement in the re-industrialization of the region (*see D42*).

Notes

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Notizen

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Personnel development planning

Personnel development planning, a synonym for the increasingly fashionable expression *Human Resources Development*, is still by no means a common practice. The mistaken interpretation of personnel planning to mean redundancy planning continues to predominate in many companies in the crisis-hit mining and steel industries. This long-lasting crisis, and the drama associated with the inevitable loss of jobs are still regarded in many places as an

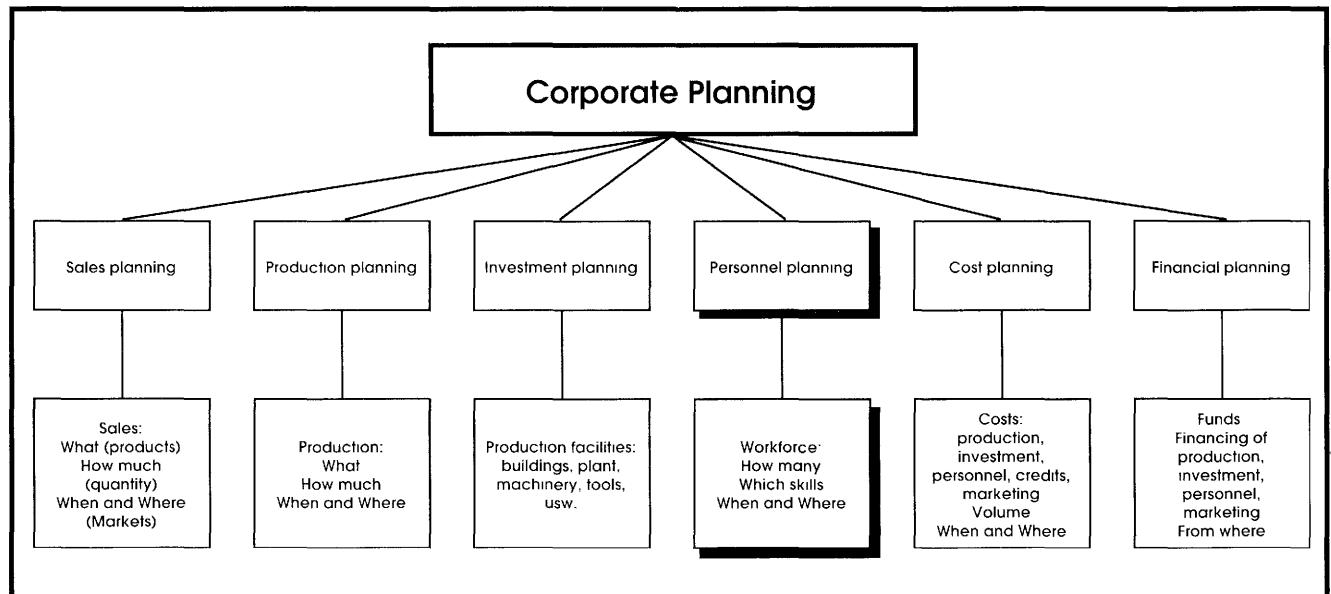
excuse for attempts (some more successful than others) to manage a desperate situation, instead of as an opportunity for a comprehensive new start, which is what technological modernization and changes in the market cry out for if survival is to be ensured.

This is admittedly easier said than done, although there are more and more companies (*see also the examples in Chapter E20*) where personnel development planning is no longer regarded as a privilege for already over-privileged management but rather as an **integral task for the development of the individual and collective potential of all employees**.

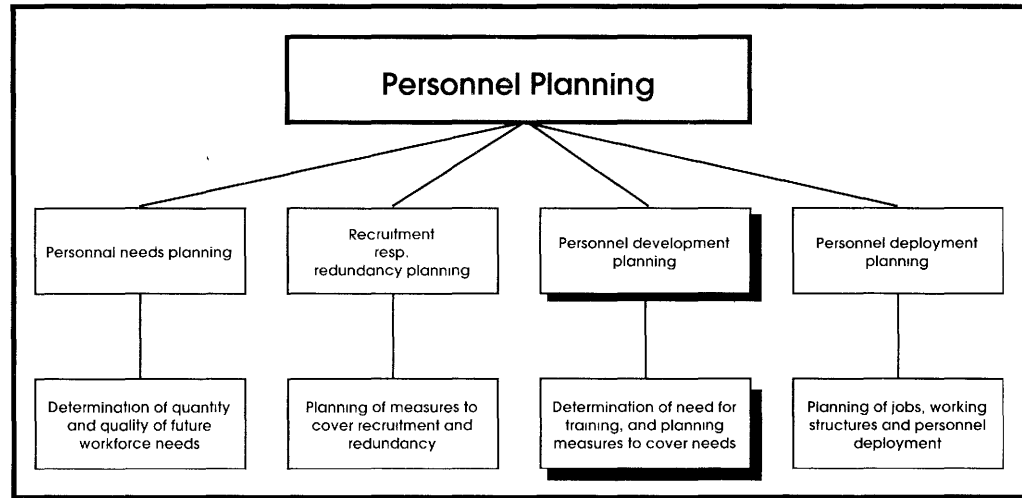
Personnel development planning is an aspect of personnel planning which ranks equal to corporate planning (*see chart*) in achieving company objectives: personnel development planning has **two fundamental functions**:

Notes

The task: to develop the individual and collective potential of all employees



Notes



Tasks

- on the one hand, to ensure the availability in the long-term of a trained workforce, in order to meet the present and future tasks facing the business, and at the same time secure jobs;
- on the other, to increase internal and external mobility in the interest of companies, employees and the region.

A modern interpretation of personnel development planning is thus not restricted to the traditional areas of initial and advanced training. It is seen much more as a central instrument for the development of a broadly defined **quality culture** in companies and works, and as such incorporates at least an extended form of personnel deployment planning (*see chart*).

This is indispensable if only for the fact that personnel development planning must not only take account of the need for training

arising from technical **and** organizational changes, but also ensure that the level of skilling created within the organization finds its appropriate field of application if the investment in training is to generate a return.

Of course, such a view of personnel development planning is no substitute for business perspectives and strategies within a company. Where these are present, however, it can make a major contribution to their development and to future security. Although a company cannot be protected from problems or slumps in a shrinking market, the really important thing is the ability of the organization as a whole and of each individual member to look upon change not fatalistically, but rather as a challenge.



Quality culture

General framework conditions

Companies in practically all sectors of the economy in the developed economies are subject to fundamental structural change from a quantity- to quality-related thinking. The age of mass production, where large numbers, long product life cycles, a high degree of standardization and low prices were decisive for the organization of production and the position in the market, is being, and has already been, superseded by a period of quality production (and services), for which wide ranges of products, small quantities (batches) and short product life cycles are typical, in combination with high overall production volumes, with quality and price (in that order) determining the position in the market. The same is true of all service sectors.

The reasons why qualitative characteristics are increasingly determining purchasing and lifestyle decisions by individuals and companies in the industrialized countries lie mainly:

- in the relative saturation of most markets (needs) or, to put it another way: in high standards of living;
- in the micro-electronics revolution, which permits higher product quality (or lower fault tolerances), manufacturing flexibility and product differentiation, thus creating the material and technical basis for this change; and
- in the tendency for individual and collective values to shift towards more quality-related yardsticks for all areas of life.

To put it simply: **most people are no longer concerned with acquiring things, but with acquiring better things.** This applies not only to leisure rather than work, but to leisure and work.

The same is true of companies: it is no longer a question of doing something, but of doing something better. Whereas low-skilled labour can be used to a very high degree for mass production, broader and higher average skill requirements are the mark of the age of quality, not only in terms of ability and knowledge, but above all in respect of constant development in the face of rapid change. Companies and employees are under equal pressure to meet these challenges and to subject themselves to a **process of continuous improvement**. Those who fail or only partially succeed run the risk of being left behind.

There is only **one universal quality principle** in business life (and beyond), which is to produce or supply what the customer (or whoever) demands. In this sense a company must serve its customers, just as the personnel department must serve its customers (the personnel) and the personnel must serve its customer (the company). Internal and external **customer orientation** is consequently the watchword of all quality strategies which go beyond "simple" quality assurance - a form which certainly falls short of the mark in the long term. Personnel development which focuses unilaterally on the needs of the company and takes too little account of the material, personal, professional and family needs of employees will thus encounter problems in recruiting or retaining qualified personnel in the longer term.

Notes

From mass production to quality production

Broader and higher average skills

Process of continuous improvement

A universal quality principle: customer orientation

Notes

Quality-oriented personnel development for quality, flexibility and integration

Such are the framework conditions for forward-looking, **quality-oriented personnel development** with the guiding objectives of **quality, flexibility and integration**, albeit in a very general form.

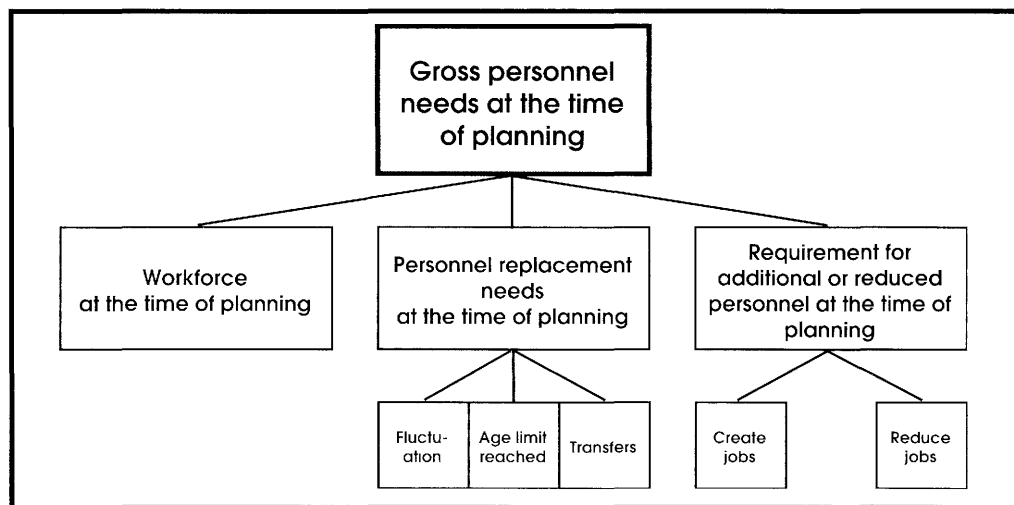
Personnel planning and personnel development

Of course, qualitative personnel planning also depends on quantitative personnel planning, which depends in turn on known personnel needs. Such needs must always, and particularly during a phase of long drawn-out job-shedding (when they are especially difficult to justify and fulfil), be specified not only in quantitative, but also in qualitative terms.

We know from experience that numerous transfers take place during periods of job-

cutting to obviate the consequences above all of the (in quality terms) arbitrary criterion for redundancy: reaching a certain age (taking early retirement). This means, for one thing that careful planning of training and retraining are necessary, especially in a crisis. For another, all organizational structures have to take the strain, and in the particular case of the mining and steel industries these have grown up over long periods and, for the most part, have remained unchanged. This is all the more so since every company that wishes to survive the crisis also has to cope with a modernization crisis.

Every company that is forward-looking during the crisis, instead of adopting a defensive attitude, is thus well advised, precisely when things appear to be (and are) at their most difficult and it seems that all its energy needs to be devoted to socially acceptable job cuts, to take a particularly critical, future-oriented look



at its management structure, work organization and training department.

In addition to the quantitative and qualitative aspects of personnel needs and personnel development planning, the third dimension of planning (the time factor) proves to be a major problem in times of crisis. Continuity is hard to achieve, because both the external conditions (e.g. fluctuations in incoming orders and public-sector aid) and the internal conditions (e.g. organizational change, financial and technical resources, and technological change) are influenced increasingly by imponderables. It often becomes very difficult, for this reason, to adhere to a **basic principle of quality-oriented personnel development: transparency and openness** towards all concerned.

Systemic cooperation

The quintessence of all the models of social crisis management proposed in Section E is that the decisive "recipe for success" for a socially acceptable way of managing the structural crisis in the coal and steel industries is to seek the **broadest and most objective-oriented consensus possible** between all concerned, and thus for a broadly conceived **balance of interests** at least within the company and, better still, in the region.

A quality-oriented company has to tap and activate the individual and collective potential of all its employees. This stated aim of quality-oriented personnel development, which at the same time is a statement of the approach, calls for considerable effort on the part of all concerned and can only be achieved if it is es-

poused willingly by the employees and those who represent their interests. **Voluntariness** - or its mirror image from a management point of view: **motivation** - is particularly difficult to achieve at times of fear - and structural crises are such times. A direct connection thus exists between the manner of managing job cuts on the one hand, and the methods and chances of success of managing the modernization challenge on the other hand.

To take a concrete example: in most models of social crisis management, there is a simple but laborious method for achieving a relatively high degree of understanding amongst older people and for overcoming the no-future malaise amongst younger people. This is the **personal, individual, structured interview**, which provides information on the capabilities and aims of each individual. It was generally possible only on the strength of such interviews to reach agreement on future action and funding, such as further training or retraining for an improved position on the employment market.

What is good for social forms of crisis management is indispensable for a motivation-driven quality culture. A central element of any qualitative personnel development scheme is the direct interview with the employee. Applied systematically, it is the essential planning basis and the most important link between the firm's skills needs and the employee's skills aspirations.

A company which embarks on the never-ending road of quality orientation must, if it does not wish to stray from this road, seek a quality culture, the basis of which is voluntary and repeated **agreement on the aims of the**

Notes

Voluntariness and motivation

Transparency and openness

The personal development interview as the essential basis for planning

Objective-oriented consensus and balance of interests

Notes

company. Regardless of production method, these can only be expressed in terms of profit, performance, safety and satisfaction of needs. The balance is a precarious one and needs to be restated constantly in concrete terms. This is only possible if employees and their representatives are involved not only in achieving company objectives, but also in defining them and giving them concrete form. In relation to these overall company objectives, quality, flexibility and integration are functional aims and methods of achieving objectives.

The aim is to create a **“performance partnership”**, an expression coined by the Labour Director of HOESCH AG (a former steel company, now a technology company with a steel subsidiary). It occupies a position beyond the

defensive concept of “social partnership” that originates from the days of class conflict, and espouses a new reality, which in many instances is only just beginning to emerge. What it boils down to is that the ability of a company to survive is largely dependent on whether repeated efforts are made to find the precarious balance of consensus on company objectives and to confirm it through results. Companies which are wholeheartedly quality-oriented function like this. To do so, they need **“systemic cooperation”** at all levels, in the organization of work and of production (from receipt of order to final delivery) as a whole and, of course, in the management structure, both horizontal and vertical, within a company.

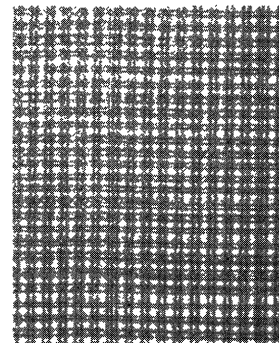
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What are social instruments
of crisis management?

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of employment*
- D2 Transfers, internal**
- D3 Task forces**
- D4 Bringing certain work forward**
- D5 In-house services instead of
outside services**
- D6 Internal work creation
programmes**
- D7 Accepting work from outside
companies**
- D8 Accepting work at below cost**
- D9 Internal job placement service**

Instruments of social crisis management



– *Continues over-leaf* –

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- D11 Supplying workers on contract
- D12 Termination of personnel leasing contracts
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- D14 Short-notice block leave
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- D16 Training leave
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- D18 Suspension (discontinuation) of employment contracts
- D19 Lay-off with guaranteed re-employment
- D20 Unpaid leave
- D21 Extension of scope of in-service training schemes
- D22 Additional in-service training facilities
- D23 Contract training
- D24 Short-time working

Permanent reduction of employment

- D25 No further recruitment
- D26 Transfers, external
- D27 Labour pool

- D28 Group-wide job placement service
- D29 Non-renewal of limited-duration contracts of employment
- D30 Voluntary redundancy with compensation
- D31 Non-employment of trained apprentices
- D32 Early retirement, taking advantage of statutory possibilities
- D33 Early retirement, in conjunction with accompanying packages of social measures
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- D40 Support for "employment companies"
- D41 Measures to promote alternative employment opportunities
- D42 Involvement in the re-industrialisation of the region

Introduction: What are social instruments of crisis management?

A very wide range of interpretations can be placed on what is social crisis management. Its broad aim is to alleviate as far as possible the drastic effects of job losses on people's and regions' employment situation and way of life. But if one raises the question whether each of the enumerated instruments of social crisis management can be considered as social, at least from the viewpoint of the affected people, the application of the positively charged adjective "social" will be more precarious.

Certainly, very few of the instruments mentioned below can be claimed to be of a "social" nature *per se*. They really need to be examined one-by-one. The various aspects of this examination were discussed in Section C:

- Is account taken of the principle that the persons responsible for managing mass redundancies in a structural crisis must en-

deavour first and foremost to preserve jobs wherever this is possible (and makes economic sense)? How this takes place, whether inside or outside the company, may remain open. The persons concerned will judge it on the basis of whether or not they have a job at the end of the day. The quality aspect likewise remains here unmentioned. Furthermore, the question of what is economically justifiable may well be evaluated very differently from the point of view of a company and of a region.

- Are the selection criteria comprehensible? This should not be difficult in the case of early retirement and other measures with clear criteria. It is more difficult, however, when selecting members of a task force or candidates for training. The following questions must accordingly be asked in each case:
- Was care really taken with the planning, and was every opportunity exhausted to preserve (also economically justifiable) jobs, temporary or permanent ones?
- Were the workers and their representatives informed at an early stage about the forthcoming redundancies? And were they actively involved in the planning and implementation of the measures?

Accompanying social measures

Even if it is difficult to classify the instruments as "social" *per se*, the manner in which they are applied can be evaluated entirely according to

Principle

Selection

Care

Transparency

Notes

social criteria. Apart from the aforementioned criteria, the accompanying measures also have a highly important role to play, irrespective of whether or not they were negotiated with the Works Council or union.

Every measure, irrespective of its scope, is judged by the persons concerned according to whether they gain or lose from it. No matter what form such measures take, the yardstick by which they will be judged is whether the worker's status is better or worse.

The leading principle for the formulation of accompanying social measures must thus be the **safeguarding and security of the social situation**¹ of those who are affected by any of the redundancy instruments set out in Section D. In conjunction with this, account must be taken of two fundamental requirements when planning such measures. They must:

- enhance the geographical and vocational mobility of employees; and
- respect the basic need for social security, including when employees transfer to other companies.

An inventory of accompanying measures, for which the financial resources must also be made available in a developed industrial society, can be derived from these basic requirements. Whether these resources come only from companies, or from a fund spanning all companies, or partly from the public sector at whatever level, or from national or European sources, is all a matter for social and political discussion.

* *see* Autorengemeinschaft, Sozialplanpolitik in der Eisen- und Stahlindustrie, Cologne 1979

The basic elements are:

- **Income security**

Where an employee is required to transfer to another job in the same or a different company, and where this is less well paid than his old job, then his previous income must continue to be paid at least for a given period. If, at the end of this period, he has not regained his previous income level, adjustment to the new income level must take place in stages.

- **Further training and retraining**

If an employee is transferred, or even made redundant, steps must be taken to ensure that he is offered further training or retraining facilities enabling him to adapt successfully to his new job, wherever possible achieving greater contentment at work and with life in general. His previous income level must be assured during the period of training.

- **Reimbursement of expenses in connection with transfers to other plants/companies**

Additional expenses incurred by the employee include the cost of travel and time spent travelling, the cost of running a second home, or the removal costs, and in some cases the difference between the previous rent and the new rent. All of this can only apply for a certain period, of course.

- **Retention of seniority**

Employees who transfer to another company should not be classified as new starters, and any years of service already earned should be credited to them.

**Safeguarding
social rights
and
achievements**

**Mobility and
social security**

● **Right of tenancy in tied homes**

Employees leaving a crisis-hit company, regardless of the redundancy/retirement arrangements, should be granted a permanent right of tenancy in the tied house or flat in which they have been living.

● **Maintenance of previous net income (for those taking early retirement)**

Depending on the arrangements, the pension payments may be quite low compared with the previous net income. In the context of accompanying social measures, not only must the old level be protected (at least approximately), it must also be indexed to income growth under collective agreements.

● **Compensatory old age pension entitlement for early retirees**

Employees who have taken early retirement must be compensated for lost contribution years to ensure that, on reaching the statutory pension age, they are not, or not significantly, worse off than they would be if they had worked.

● **Anniversary bonuses for early retirees**

Many companies reward their employees for long service by marking special anniversaries and paying them gratuities. Employees who take early retirement should not be excluded from this.

● **Termination-of-contract compensation**

Compensation under termination agreements or for redundancy in a crisis should, especially for older workers, be based on (a) age and (b) length of service.

There can be no doubt that the financial scope for protecting such - I would say - indis-

pensable rights of employees at all levels has become narrower. Coal and steel have long been favoured sectors with their special aid fund (ECSC). Other sectors will find it difficult to meet the standards set by coal and steel. But, instead of simply revising rights downwards, consideration should also be given to creating crisis funds. The European Community will be judged by employees on whether it allows the ECSC's experience to disappear without trace in the year 2002, or whether it tries to make it into a principle of European industrial policy.

Notes

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Notes on methodology

The **list of instruments** for social crisis management presented in this Section is structured as follows:

- The instruments are numbered consecutively. Unlike Section C, however, they are grouped here according to the aims pursued:
 - :: stabilization of employment;
 - :: temporary job reduction;
 - :: permanent job reduction.

We have assumed that we are dealing with a structural crisis, and accordingly with the permanent reduction of jobs.

- Every instrument is first presented in tabular form and examined against a check-list. Comments are added, where appropriate, to give a personnel-policy assessment of the instrument and hints on how it can be used in combination with other instruments.

Once again it must be mentioned that the procedure and many of its evaluation aspects lean heavily on a study conducted by the Working Group "*Engere Mitarbeiter der Arbeitsdirektoren Eisen und Stahl*" (close associates of Personnel Directors in the Iron and Steel Industry) and published by the Hans-Böckler-Stiftung of the German Trade Union Council (DGB)*.

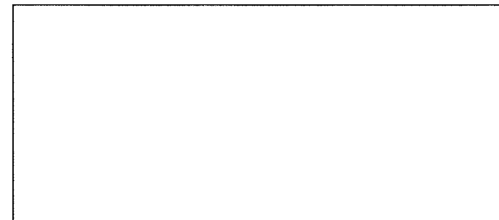
Numerous changes and detailed additions have been made, however, due on the one hand

* "Personalpolitische Beurteilung von Maßnahmen und Mitteln zur Anpassung von Beschäftigungsschwankungen, Teil 1: Beschäftigungsrückgang", in: Studien zur Mitbestimmungstheorie und Mitbestimmungspraxis Nr. 13, Düsseldorf 1985

to the fact that this reference book deals with the European scene and includes framework conditions for other countries, and on the other hand to the fact that experience in other countries, for whatever reason, differs from German experience. Finally, regional aspects were taken more into consideration, although this does not mean that the authors of the study have ignored this aspect.

The check-list

- **Instrument:** brief definition.
- **Implementation, means, method:** a brief description of the implementation aspect, taking into account company-related, legal and otherwise relevant aspects.
- **Start and duration:** necessary preparation time and possible duration.
- **Costs:** types of cost, and any external grants available.
- **Feasibility:** evaluation of the feasibility aspect, taking into account social, economic, technical and, where appropriate, regional aspects.
- **Reference** to the models presented in Section E in which, to our knowledge, this instrument has found application. No claim to exhaustiveness is made.



**Sequence
Hierarchy of
aims**

**Table
Check-list
Comments**

Notes

Stabilization of employment

1	Instrument	Transfers within a works or a colliery
2	Implementation Means Method	<p>Consultation/agreement with Works Council*/union**</p> <p>Information for the workforce (orally at meetings and/or in writing stating reasons, duration and conditions)</p> <p>Familiarization plans, systematic familiarization (with a 'safety mentor' where appropriate)</p> <p>Investigate whether aid is available via the Labour Market Administration</p>
3	Start Duration	<p>Short notice; if agreement is necessary, medium term</p> <p>As required or according to need</p>
4	Cost	<p>Security of income (according to collective agreement)</p> <p>Possible continued payment of workplace-related pay (e.g. bonuses)</p> <p>If possible, reimbursement of costs (familiarization grants paid by the Labour Market Administration)</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - familiarization periods are observed - social security is provided - a time limit can be imposed on the measure
6	Reference	Standard measure

* Works Council denotes any body representing the interests of the employees elected by the employees.

** Union may denote several unions, depending on the country and the company.

Notes

Notes**Comments**

This instrument is very suitable where temporary stabilization of employment is sought in certain areas and/or for certain employees, for instance from the point of view of training and qualifications. The question which naturally arises concerns the jobs to which the measure is applied and in conjunction with what other measures.

Attention must be paid, not least for reasons of safety, to ensuring that those transferred are carefully familiarized with their new workplace. This will require enhanced supervision at the new place of work.

The initial phase can be considerably facilitated where an established form of systematic training and familiarization is used. The cost can be reduced if value is attached at all times to appropriate training for all employees (*see C5*).

Obstacles to the implementation of such a measure may arise through physical or other handicaps, as well as from the fact that the workplace does not suit the employee, e.g. because of a qualifications/requirements mismatch, compounded by collective agreements or other arrangements.

Notes

Notes

Stabilization of employment		
1	Instrument	Task forces for temporary or special duties in a range of locations
2	Implementation Means Method	Consultation/agreement with Works Council*/union** Information for the workforce (orally at meetings and/or in writing stating reasons, duration and conditions) Investigate whether aid is available via the Labour Market Administration (familiarization)
3	Start Duration	Short notice; if agreement is necessary, medium-term As required or according to need, possibly permanently as a separate trouble-shooting unit
4	Cost	Security of income (according to collective agreement) Possibly appointment of a task force leader, if there is not one already If possible, reimbursement of costs (familiarization grants paid by the Labour Market Administration)
5	Feasibility	Good, provided that - clear definitions of duties and organizational conditions exist - social security is provided
6	Reference	D27, E10, E14, E16
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.		
Notes		

Notes**Comments**

This measure is very suitable for dealing with surplus personnel on a temporary basis. Further stabilizing effects on employment can be achieved in conjunction with instruments D4 to D6. However, the usability of such task forces also depends on the size and structure of the plant in which they are to be used. Clearly, the scheme will work best in large plants with many and varied tasks. Another possibility is

for them to be used as a temporary measure to deal with complicated transfers.

In the case of the longer-term use of such task forces, and if they exceed a certain size, it is advisable to treat them as a separate unit for use on special duties (*see D27: Labour pool*) with the appropriate management structure.

“Troubleshooting units” of this kind are permanent features of many companies and works in the coal and steel industries.

Notes

Notes

Stabilization of employment		
1	Instrument	Bringing forward certain work e.g. repairs, production, stockpiling, planned investment measures in production, social policy, transport
2	Implementation Means Methods	Agreement with company and works sectors as to which work can be brought forward Drawing up work plans, changes in production plans (where possible) Agreements with Works Council*/union**
3	Start Duration	Following completion of the necessary preliminary work Limited period
4	Cost	Additional cost of material for repairs Interest payable on earlier-than-planned investment; capital tied up in stockpiled production
5	Feasibility	Good, provided that - technical and organizational conditions are created - no change in working hours (e.g. to shift working) results
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		
Notes		

Notes**Comments**

This instrument frequently has only limited effect. On the one hand this has to do with the aforementioned limitations in respect of time and scope. Additional repair work and capital works require a limited number of persons with the requisite levels of skill and implementation is heavily dependent on existing planning procedures.

Bringing certain work forward usually affects entire works or sectors and is only advisable, if at all, if the customer is agreeable or if stock levels can soon be reduced again. Otherwise, this kind of measure can only really be envisaged in conjunction with, say, imminent holidays (*Block leave, see D14*), public holidays or preparations for works shut-downs.

Notes

Notes

Stabilization of employment		
1	Instrument	In-house services instead of outside services Replacement of outside services and such work as repairs, investments, services and specific production tasks by the company's own workforce
2	Implementation Means Method	Information for Works Council*/union** Termination of contracts with outside companies Non-renewal of expiring contracts Creation of technical and organizational conditions
3	Start Duration	Short notice or medium-term, depending on duration of contracts Unlimited
4	Cost	Saving of outsourcing costs in all sectors
5	Feasibility	Good, provided that - the contract conditions permit such steps - the right people (skills) are available and the work can be organised
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		
Notes		

Notes**Comments**

This instrument is frequently applied and can be readily used in many cases. It is nevertheless subject to the availability of workers with the necessary special qualifications, and to the existence and suitability of facilities, machines and equipment for the work.

Although a measure of this kind may stabilize employment in the implementing compa-

ny, it reduces employment in the outsourcing companies. In some cases, a longer-term lack of orders for highly specialized companies may jeopardise the future of the company. What is of advantage to security of employment in a large company may even have a negative effect on the regional employment balance.

Notes

Stabilization of employment

1	Instrument	Internal work creation programmes e.g. by bringing forward maintenance work, clearance and cleaning, improvement of the infrastructure, occupational safety measures, and implementation of suggested improvements
2	Implementation Means Methods	Information for Works Council*/union** Create technical and organizational conditions Implementation, possibly by task forces (see D3) or the labour pool (see D27)
3	Start Duration	Short notice or medium-term, depending on the necessary preparations Limited period
4	Cost	Security of income (according to collective agreement) Earlier-than-expected or additional material costs
5	Feasibility	Good, provided that - the work is reasonable - a time limit can be imposed on the measure
6	Reference	Standard measure, D3, D27, E10, E14, E16, E20
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		

Comments

This measure is very suitable for bridging short-term employment shortfalls. If prepared

and applied objectively, it can also be used in the preparation of comprehensive investment programmes.

Notes

Notes

Stabilization of employment

1	Instrument	Accepting work from outside companies with the aim of utilising available works capacity
2	Implementation Means Methods	Consultation/agreement with Works Council*/union** Establish kind of service the firm can offer (scope, timescale) Invite offers, additional supply contracts
3	Start Duration	Medium-term according to need, but in principle for a limited period
	Cost	None
5	Feasibility	Good, provided that - technical and organizational conditions exist - a contribution is made to cover current costs
6	Reference	D27, D37
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		

Comments

This instrument is very suitable for bridging employment shortfalls. It can also be used in preparation for more far-reaching measures for redundancies or temporary lay-offs.

In the latter case the measure could, depending on the nature of the incoming orders, even be planned and implemented as a preliminary input by the company towards the creation of substitute jobs in the region.

If, for example, consideration is being given to promoting self-employment (*see D37*), the execution by the company of orders received from outside companies, or indeed of any external orders, can serve to prepare employees for setting up in business on their own account. It would then be necessary, however, to link this with appropriate training measures (including of a commercial nature) (*see E15*).

Notes

Stabilization of employment

1	Instrument	Accepting orders at less than cost
2	Implementation	The implementation of the measure requires fundamental discussion by the Board or company management
	Means Method	Information for Works Council*/union**
3	Start	Short notice
	Duration	Limited period
4	Cost	No additional personnel costs
5	Feasibility	Good, provided that - it is of limited duration - the employment problems are really only of a short-term nature
6	Reference	
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		

Comments

This instrument is very suitable for short-term use. Clearly, though, longer-term use is not

possible without aggravating economic problems or increasing rationalization pressure; this would in turn create a host of new problems - not just in terms of personnel policy

Notes

Notes

Stabilization of employment		
1	Instrument	Internal job placement (in-company)
2	Implementation Means Method	Consultation/agreement with Works Council*/union** Creation of technical and organizational conditions Provision of appropriate familiarization training at the new workplace
3	Start Duration	Short notice or, if agreement is necessary, medium-term As required or according to need
4	Cost	No additional personnel costs (Personnel Department) Security of income (according to collective agreement) Possible reimbursement of costs (familiarization grants paid by the Labour Market Administration)
5	Feasibility	Good, provided that - familiarization periods are adequate - the various works or departments are not too far apart
6	Reference	E2, E3, E8, E12, E1, generally widespread
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.		

Comments

This instrument is very suitable for the stabilization of employment as a supplementary measure to transfers (D2) within the works, since many steel and mining companies have several works in a given region, with the result that employees do not have to travel any further to work.

Notes

Temporary reduction of employment

1	Instrument	Reduction of extra work Restriction or withdrawal of all forms of extra work
2	Implementation Means Method	Consultation/agreement with Works Council*/union** By order of company management (restriction or withdrawal) Information for affected workforce (meetings) Possible termination of existing company agreements
3	Start Duration	Short notice, unless notice must be given under company agreements, or if the Works Council*/union** will not agree to earlier termination As required or according to needs
4	Cost	None
5	Feasibility	Good, provided that - the measure remains limited in time and space - it is not associated with comprehensive transfers - a time limit can be imposed on the measure
6	Reference	Standard measure
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.		

Comments

This instrument is generally capable of being implemented rapidly and with good immediate effect. The form of extra work, i.e. overtime or Sunday and public holiday working, which can be reduced most easily will depend on the

nature of production or activity of the works of sector.

Where technically possible, night working can also be reduced, in certain cases up to and including the suspension of entire shifts for limited periods (*see D11*).

Notes

Temporary reduction of employment

1	Instrument	Supplying workers on contract to other companies
2	Implementation Means Method	<p>Consultation/agreement with Works Councils*/unions** in both companies</p> <p>Information for affected workforce (orally and in writing, stating reasons, duration and conditions)</p>
3	Start Duration	<p>Medium-term, since agreement with the Works Councils*/unions** is necessary as a rule</p> <p>According to agreement and contractual requirements</p>
4	Cost	<p>Personnel costs are reduced</p> <p>(Possibly) topping-up of wages and/or continued payment of workplace-related pay (e.g. bonuses), additional costs (e.g. travel, subsistence)</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - all those involved are in agreement - social security is guaranteed - the travelling distances and working conditions are acceptable - there is a real need in other companies
6	Reference	-----

* Works Council denotes any body representing the interests of the employees elected by the employees.
 ** Union may denote several unions, depending on the country and the company.

Comments

This instrument is cumbersome, because a wide range of interests have to be reconciled

and numerous legal requirements taken in account. In addition, it does not lend itself to widespread use and can thus only be used alongside other measures.

Temporary reduction of employment

1	Instrument	Termination of personnel leasing contracts
2	Implementation Means Method	Information for Works Council*/union**
		Termination of contracts with personnel leasing companies, observing the contractually agreed periods of notice
		Non-extension of expiring contracts
		Creation of technical and organizational conditions in order to have the work done by in-house personnel, if necessary
3	Start Duration	Medium-term, depending on agreed periods of notice and contract duration
		Unlimited
4	Cost	Saving of contract costs in the sectors concerned
5	Feasibility	Good, provided that
		- the contract conditions permit - the right people (skills) and the work can be organised
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		

Comments

The measure is directly related to the replacement of outside services by in-house services (see D5). This measure, though, not only requires the cancellation of a range of contracts with third parties, but the workforce is also effectively reduced. Because such personnel

leasing practices have frequently been in existence for many years, it may not be easy, depending on the area of application, to replace the outgoing persons with equivalently qualified and experienced in-house personnel. As a general rule, therefore, training is needed, at least for some of the activities.

Notes

Temporary reduction of employment

1	Instrument	Bringing leave forward
2	Implementation Means Method	Consultation/agreement with Works Council*/union**
3	Start Duration	Medium-term, as a rule dependent on a company agreement Limited, at most for the current calendar year
4	Cost	Low, or none
5	Feasibility	Difficult, since - all existing holiday plans will have to be amended
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Comments

This measure is difficult to implement as it involves changing company and individual holiday plans. In order to obtain the agreement of the Works Council or the union, the situation must be very serious. Careful information is

accordingly indispensable in order to obtain the workforce's acceptance.

Such a measure, provided sufficient leave is still available (for example before the summer), can nevertheless be very helpful from a personnel policy point of view, because difficult situations can be survived at low or no cost.

Notes

Temporary reduction of employment		
1	Instrument	Short-notice block leave
2	Implementation Means Method	Consultation, normally agreement with Works Council*/union** Compliance with the statutory or collectively agreed requirements Detailed information for the workforce
3	Start Duration	Medium-term, i.e. generally only as agreed with Works Council*/union** In the context of the existing unused and unplanned leave entitlement
4	Cost	None
5	Feasibility	Good, provided that - the timing is right - in conjunction with school holidays or public holidays - existing holiday plans are not too severely affected
6	Reference	Standard measure, the rule in many works
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.		

Comments

This instrument can be used effectively in short-term situation. It cannot be used over and over again, at least not within a given year.

There are works in which this instrument is a routine measure in the form of regular works holidays. In such cases, it reduces the number of workers who have to report for work to cover all contingencies, and thus leads to a permanent reduction in personnel levels.

Notes	
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Notes

Temporary reduction of employment		
1	Instrument	Bringing forward time off in lieu of overtime - for senior workers - for regular shift and night working
2	Implementation Means Method	Consultation, generally agreement with Works Council*/union* is required
3	Start Duration	Medium-term, since a formal agreement is normally required Limited, depending on agreement and planning timescale, as a rule not exceeding one year
4	Cost	None
5	Feasibility	Good, since - it is normally in line with existing collective agreements - it is possible to take account of personal preferences however, it is not always easy to implement, because the shift plan rhythm generally covers several weeks
6	Reference	Standard measure
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.		
Notes		

Notes

Temporary reduction of employment		
1	Instrument	<p>Training leave Paid release for vocational, cultural or citizenship training</p>
2	Implementation Means Method	<p>If in the context of planned vocational in-service training, consultation/agreement with Works Council*/union**</p> <p>Granting of training leave in the context of the national statutory, contractual or company agreements, if any exist</p> <p>Motivation of employees to take in-service training</p> <p>Planning of a targeted range of company-related internal and/or external in-service training courses</p>
3	Start Duration	<p>Medium-term, since it has to be planned and organized and the whole point is to enhance worker motivation</p> <p>Unlimited, although individual duration will vary from case to case</p>
4	Cost	<p>Additional cost of the trainee's absence, dependent on numbers involved, duration and organizational cost</p>
5	Feasibility	<p>Not (always) easy, since</p> <ul style="list-style-type: none"> - participation is only possible and reasonable on a voluntary basis - it can only be rapidly extended where in-service training plans already exist - acceptance can only be expected where in-service training experience already exists
6	Reference	E12
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Notes**Comments**

The instrument is not easy to manage, as already indicated in the table. Continuous and well developed in-service training for parts of the workforce facilitates the use of the instrument, but the conclusion has to be that this instrument is only suitable in conjunction with other crisis management measures.

Far from leading to a reduction in personnel costs, additional efforts are called for in

terms of preparation and implementation. It is not suitable - or only marginally suitable - as an anti-cyclical tool. Another serious disadvantage is that it cannot really be targeted at specific groups of individuals.

Finally, it should be noted that only a few countries thus far have any statutory or contractual arrangements for training leave.

Notes

Notes

Temporary reduction of employment		
1	Instrument	Additional paid leave
2	Implementation	Consultation with Works Council*/union**
	Means Method	Regulation by individual contract is required as a rule
3	Start	Possible in the short term
	Duration	Limited
4	Cost	Very high, since personnel costs continue to be incurred in full
5	Feasibility	Easy, since the persons concerned do not generally raise any objection
6	Reference	E11, E12
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Comments

This instrument is understandably used only very rarely and in extreme cases, for both psychological and cost reasons. Nevertheless, the effect is immediate. One possibility is to

combine it with a period of leave (e.g. tacked on to the end of a holiday), where there is no chance of notifying short-time working (*see D24*).

Notes

Notes

Temporary reduction of employment		
1	Instrument	Suspension (discontinuation) of employment contracts
2	Implementation Means Method	Consultation/agreement with the Works Council*/union**
		Detailed information for the workforce
		Taking account of national statutory provisions
3	Start Duration	Possible at short notice
		Limited
4	Cost	None, although severance payments possible
5	Feasibility	Easy, provided that
		- statutory provisions are met
6	Reference	D19
* Works Council denotes any body representing the interests of the employees elected by the employees.		
** Union may denote several unions, depending on the country and on the company.		

Comments

The statutory possibility of leaving employment contracts in abeyance, so to speak, for a specific period during an acute crisis exists in only a small number of EC Member States. It is in effect a final desperate gamble which, if it does not succeed, is generally followed by closure.

Not surprisingly, then, it may generate considerable unrest. If it is to be regarded as a "social" measure for crisis management, it may only be used in exceptional situations, and it

must be linked with realistic discussions on the continuation of the business.

This statutory regulation is comparable with lay-off with a guarantee of re-employment within a specific period (*see D19*), such as is available in other EC countries, although the advantage for the company is that the employees are bound to the contractual periods of notice if they wish to accept offers of employment elsewhere.

Temporary reduction of employment

1	Instrument	Lay-off with guaranteed re-employment
2	Implementation Means Method	Consultation/agreement with the Works Council*/union**
		Detailed information for the workforce
		Compliance with national statutory provisions
3	Start Duration	Medium-term, i.e. only on expiry of the period of notice, unless there are cancellation contracts
		Limited
4	Cost	None, although severance payments possible
5	Feasibility	Easy, provided that
		- statutory provisions are met
		- there is a reliable material basis for the re-employment commitment
6	Reference	D18, E11, E12, E14

* Works Council denotes any body representing the interests of the employees elected by the employees.
 ** Union may denote several unions, depending on the country and on the company.

Comments

As in the case of the suspension of contracts of employment (*see D18*), this instrument can only be used in exceptional situations. In labour law, however, this clearly amounts to notice of termination of employment. As far as the company is concerned, depending on the situation in the regional employment market, there is a risk of qualified employees no longer being available later on because they have found alternative employment.

It has also been known (*see E14*) for the Labour Market Administration to refuse to support certain measures (for example, job creation) in such cases, on the grounds that the individuals concerned, for whom alternative employment must be financed, are not “genuinely” unemployed. It is necessary, therefore, to consider what form this guarantee of re-employment takes.

Notes

Temporary reduction of employment		
1	Instrument	Unpaid leave
2	Implementation Means Method	By individual contract following consultation with the Works Council*/union**
3	Start Duration	Short notice In principle unlimited, although a limit may be imposed depending on the terms and conditions of insurance (possibility of voluntary insurance)
4	Cost	Low, possibly including payment of voluntary insurance
5	Feasibility	Good, provided that - individual employees are agreeable (in particular foreign workers) - the possibility exists for combination with the main holidays (= home leave), during the school holidays, etc.
6	Reference	-----
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Comments

Apart from individual cases, this instrument can only be used as a general rule where the workforce contains a high proportion of foreign worker, who may wish to extend the several weeks' holiday in their home country by a further period at their own expense. When combined with other instruments, the overall result may be quite significant.

Notes

Notes

Temporary reduction of employment		
1	Instrument	Extension of scope of in-service training schemes
2	Implementation Means Method	<p>Identification of training needs, paying particular attention to groups of employees who have previously had little involvement in in-service training, i.e. semi-skilled production workers in the main</p> <p>Planning of a targeted range of company-related internal and/or external training for these groups</p> <p>Consultation/agreement with the Works Council*/union**</p> <p>Motivation of the employees to take in-service training</p>
3	Start Duration	<p>Short notice, if contingency plans exist; medium-term if a planning procedure must first be created and workers motivated</p> <p>Limited, until training needs are met</p>
4	Cost	<p>Productive time sacrificed to training</p> <p>Supplementary costs of the in-service training measure, depending on number of trainees, duration and organizational costs</p> <p>Public subsidies (e.g. Labour Market Administration) may be available</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - training needs are identifiable and/or have already led to problems in the company <p>Less good, if</p> <ul style="list-style-type: none"> - training is "speculative" (justification of costs, motivation problem) <p>Only capable of rapid extension where plans already exist</p>
6	Reference	C5, D22, E4, E6, E7, E8, E9, E10, E11, E12, E13, E14, E15, E16, E17, E20

* Works Council denotes any body representing the interests of the employees elected by the employees.
 ** Union may denote several unions, depending on the country and on the company.

Notes **Comments**

In most companies, the bottom rungs of the training ladder tend to be occupied by those most in need of training; more particularly unskilled and semi-skilled production operatives.

By trying to involve these groups increasingly in in-service training, we can kill two birds with one stone:

- the pressure will be taken off production for a given period; and
- training will be made available for largely new groups, mostly unaccustomed to further training.

This latter effect would be best achieved by planning and organising training in relation to the workplace and to requirements. In this way, it is easier to utilise the experience and knowledge of employees, and to achieve direct improvements in terms of work and output.

At the same time, it creates a basis for further changes, whether of a technical or organizational nature. This aspect is especially

important given that the crisis which led to the measures has also brought about the awareness that continuing training and far-reaching organizational changes can help bring about economic recovery.

This invalidates, at least in part, the argument that it is hard to apply such forms of reaction to a temporary crisis in an anti-cyclical fashion. Admittedly, stepping up the training effort is no way to ease the employment problem in a recession. If, however, crisis situations can be put to good effect to enhance skills, the effect might be to tighten things up and introduce more flexibility in the context of a more comprehensive modernization concept, assuming of course, that the concept is also taken seriously and persevered with in times of high capacity utilization (*see C5*).

This argument can be applied to a training drive designed to widen the scope of potential trainees and to extending the range of in-service training available, the latter being dealt with separately in D22.

Notes

Notes

Temporary reduction of employment		
1	Instrument	Additional in-service training facilities
2	Implementation Means Method	<p>Identification of additional training needs, paying particular attention to weak points and/or planned investment and modernization projects</p> <p>Planning of a targeted range of company-related internal and/or external training for these aspects</p> <p>Consultation/agreement with the Works Council*/union**</p> <p>Motivation of employees to take in-service training</p>
3	Start Duration	<p>Short notice, if contingency plans exist; medium-term if a planning procedure must first be created and workers motivated</p> <p>Limited, until training needs have been met</p>
4	Cost	<p>Productive time sacrificed to training</p> <p>Supplementary costs of the training measures, depending on numbers, duration and organizational costs</p> <p>Possible aid from public funds (e.g. Labour Market Administration)</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - training needs are identifiable and/or have already led to problems in the company <p>Less good, if</p> <ul style="list-style-type: none"> - training is to be "speculative" (justification of costs, motivation problems) <p>Only capable of rapid extension where plans already exist</p>
6	Reference	C5, D22, E4, E6, E7, E8, E9, E10, E11, E12, E13, E14, E15, E16, E17, E20
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		

Notes **Comments**

Most of what was said in the Notes to D21 is also applicable here. Reference must also be made here to Chapter C5, in order to avoid repetition.

One way of extending the range of in-service training could be to aim for multiple skilling in certain areas, enabling persons to be employed at a number of jobs or workplaces. Retraining can also improve internal mobility within the company. These are more traditional forms, however.

It is worth making brief reference to **one** possible extension of what we mean by training and skilling, which is quite unusual and goes far beyond the traditional way in which training departments tend to define their brief.

Even when crises are of a cyclical nature and, as such, have a less marked effect on our self-assuredness than existential ones, times of crisis are nevertheless particularly suitable for asking oneself what could be done better and how we should go about it.

When, other than in a crisis, do we have cause, time and, not least, a compelling duty to ask ourselves these questions? How can procedures be organized more efficiently and more flexibly? How can work organization be improved - both for the company and for its

employees? How can the work be made more interesting? How can working conditions be improved?

Asking ourselves these questions requires us to examine our own business and find the time and courage to question the kind of things that tend to take a back seat in better times.

One revelation is always that we do not know enough about particular points, particular sources of error, or weak points in the product or the business. Many companies know least of all about their customers and their needs.

All this can be lumped together under the concept of **self-skilling** or **reciprocal skilling**. Of course, it is not simply a matter for the personnel department, or even the training department. In order to bring about improvements systematically, all concerned must play a part. The personnel department team is particularly important, though, because it should have access to the methodological/didactical resources required to initiate, structure and introduce such processes.

It must also be allowed to do so, provided it has the requisite skills and resources. Management must back it up. If not, the personnel department will be too weak, as a general rule, even to propose such processes in the first place.

Notes

Notes

Temporary reduction of employment		
1	Instrument	Contract training Training for external public or private-sector clients
2	Implementation Means Method	Carry out a cost-benefit analysis Inform outside agencies: Labour Market Administration; Chambers of Industry and Commerce; Trade Associations; other companies, especiall small and medium-sized businesses; vocational training facilities, etc., about available free capacity in the training sector Consultation/agreement with the Works Council*/union**
3	Start Duration	Short notice, if the training department is prepared and there are potential customers Depends on the measure
4	Cost	Reimbursement of costs, including material costs
5	Feasibility	Good, provided that - the organizational conditions exist - all concerned have been informed and feel sure that the measure will have the desired effect
6	Reference	A common measure in countries with a well-developed in-company vocational training system, E17
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.		
Notes		

Notes**Comments**

This instrument can be seen as a reaction to a temporary fall in employment, which often means that training activities are affected too. By securing training contracts, excess capacity can be filled, and qualified training personnel can be retained. Care should be taken in conjunction with this measure, however, to verify that the contracts actually relate to the areas in which free capacity is available. Otherwise, additional structures would be required which could themselves cause problems.

If, in the course of the crisis, it emerges that it is not likely to be as temporary as initially envisaged, very careful consideration must be given to whether and in what form training should continue to be provided on a contract basis to third parties, how large the regional market is, and for how long it will fill the available capacity. One possible consequence might be to transform the entire training department into an independent service provider (*see also E17*).

Notes

Notes

Temporary reduction of employment		
1	Instrument	Short-time working
2	Implementation Means Method	<p>Examine the regulations on short-time working and the entitlement to short-time working benefit with the Labour Market Administration</p> <p>Selection of persons concerned, and determination of the scope, duration and timing of short-time working, and on the level of any compensation payments</p> <p>Supplementary activities (e.g. in-service training)</p> <p>Consultation/agreement with the Works Council*/union**</p>
3	Start Duration	<p>Short notice or long-term, depending on the national regulations</p> <p>Depends on the period for which short-time working allowances are paid; the maximum period depends on national regulations</p>
4	Cost	<p>Reduction of personnel costs by the cessation of wage and salary payments for the duration of the short-time working</p> <p>As a general rule, contributions to health insurance and pension insurance schemes to short-time working allowances</p>
5	Feasibility	<p>Good, because</p> <p>- wage and salary shortfalls (as a rule, net) are reimbursed by the Labour Market Administration</p>
6	Reference	Standard measure, E20
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		
<p>Notes</p>		

Notes**Comments**

Short-time working is one of the most common instruments used for bridging temporary crises. Dismissals can be avoided and the company is able to reduce its costs without the employees suffering financial net losses, and at the end of the period of short-time working all employees are once again available for the regular workforce.

The manner in which this instrument is handled individually depends not least on the relevant national regulations. We are aware of

cases which are not presented in the model descriptions in Section E, but where short-time working was combined very effectively with intensive training measures, at times including the employees' time off. A similar scheme is described in Chapter E20, which illustrates crisis management by the Badische Stahlwerke AG using in-house resources.

These examples are particularly notable in that shorter crises are being used almost "in preparation" for more prolonged crises, with a skilled "flexibility reserve" being built up.

Notes

Notes

Permanent reduction of employment		
1	Instrument	No further recruitment
2	Implementation Means Method	Consultation/agreement with the Works council*/union**
3	Start Duration	Immediate Unlimited
4	Cost	Possibly on the basis of transfers within a plant or colliery and training necessitated by natural fluctuation
5	Feasibility	Good, provided that - redundancies are to take place in the longer term - staff departures are (can be) offset by transfers - staff departures are (can be) offset by equally well qualified workers or cushioned by training - exemptions can be allowed for very specialized workers
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		
Notes		

Notes**Comments**

This is a standard measure used in structural crises. It is simple to adopt and implement. The Works Council or union will not usually object, because it secures jobs. A number of comments should be made here, however, with particular reference to the associated risks.

In a good many steel companies, semi-skilled workers frequently are (have been) the poor relation when it comes to in-service training. This often comes to light when all recruitment is halted and staff transfers become necessary, with the attendant training needs. Many steelworkers find adapting to entirely new jobs difficult, and there may be an attendant safety

risk. Training measures thus need to be geared to such situations, if they are to do more than merely establish what skills are lacking.

Halts in recruitment are particularly serious in companies which do not provide training and are accordingly not under any pressure to recruit younger workers. In the longer term, this will inevitably lead to a rapid process of over-ageing amongst the workforce and to high rates of (youth) unemployment in the region concerned.

It is thus advisable, in spite of the halt in recruitment, to keep an eye on the situation in the regional employment market, and to an extent apply the "representative principle" (see E13), as with early retirement.

Notes

Notes

Permanent reduction of employment		
1	Instrument	External transfers to other plants or collieries at a reasonable distance
2	Implementation Means Method	<p>Consultation/agreement with the Works Council*/union**</p> <p>Information for the workforce (orally at meetings and/or in writing stating reasons, durations and conditions)</p> <p>Familiarization plans, systematic familiarization (with a "safety mentor", where appropriate)</p> <p>Investigate whether aid is available from the Labour Market Administration, and if funding is possible under Article 56 of the ECSC Treaty (familiarization, geographical mobility)</p>
3	Start Duration	<p>Medium-term to long-term</p> <p>Mainly for good, due to closure of original place of work</p>
4	Cost	<p>Security of income (according to collective agreement or social plan agreed with Works council*/union**)</p> <p>If possible, reimbursement of costs (familiarization subsidies from the Labour Market Administration and funding under Article 56 of the ECSC Treaty)</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - plant or colliery closure cannot be prevented - social security is provided - familiarization periods are observed
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		

Notes**Comments**

The transfer of employees to neighbouring collieries and plants is a widespread and proven instrument, which basically serves to stabilize employment, but is used predominantly in conjunction with closures of pits or plants. Employees who do not leave under one of the

other measures (mainly early retirement) are "reallocated" following the closure, with or without an intermediate training phase. Special allowances are provided in the context of ECSC support in view of the considerable difficulties: longer distance to the place of work, and the possible need to move home, etc.).

Notes

Notes

Permanent reduction of employment		
1	Instrument	Labour pool Task force for temporary or special duties in various locations
2	Implementation Means Method	<p>Consultation/agreement with the Works Council*/union**</p> <p>Information for the workforce (orally at meeting and/or in writing stating reasons, duration and conditions)</p> <p>Investigate whether aid is available from the Labour Market Administration (familiarization)</p>
3	Start Duration	<p>Short notice; if agreement is required, medium-term</p> <p>As required or according to need</p>
4	Cost	<p>Security of income (according to collective agreement)</p> <p>Possible appointment of a task force leader, if there is not one already</p> <p>If possible, reimbursement of costs (familiarization subsidies from the Labour Market Administration); income may be generated, depending on the nature of activities</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - a clear definition of duties and organizational conditions exist - social security is guaranteed
6	Reference	D2, E10, E14, E15, E16
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		
Notes		

Notes**Comments**

Unlike a task force (*D3*), a labour pool can be used both as a temporary facility for various duties and as a permanent facility (i.e. a separate unit) to offset fluctuations in employment.

The labour pool is dealt with separately here because of the manner in which this instrument was applied in the models to which reference is made. Such groups were used there:

- to carry out remedial operations in connection with the closure of parts of plants;
- in the development of old industrial sites for investment;
- for new ventures following plant closures;
- as a business carrying out contracts for third parties, although basically only existing in order to prolong the process of personnel reduction and to soften the blow.

Notes

Notes

Permanent reduction of employment		
1	Instrument	Group-wide job placement
2	Implementation Means Method	Consultation/agreement with the Works Council*/union** Creation of technical and organizational conditions Provision of appropriate training for the new job
3	Start Duration	Medium-term As required or according to need
4	Cost	No additional personnel costs as a general rule in companies, possibly a new staff position in the group Security of income (according to collective agreement) If possible, reimbursement of costs (subsidies from the Labour Market Administration for training and retraining; assistance with removal costs)
5	Feasibility	Not easy, because - it is frequently linked with quite lengthy training or retraining - it is frequently associated with a move, where there are no other group companies in the immediate vicinity
6	Reference	E2, E3, E8, E11, E12, E13, and generally widespread
* Works council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.		
Notes		

Notes**Comments**

The major difference between company-wide and group-wide job placement is that a change of jobs within the company can take place without changing trade or profession, whereas a change to another group company frequently involves wholesale change for the employee concerned: a change of trade or profession, not infrequently involving years of retraining, or

moving to another region, with all that implies for a family.

Nevertheless, all the major steel groups in France, the UK, Italy and Spain (and possibly elsewhere too) have set up internal group functions of this kind. And in spite of the problems, there are plenty of people who, given the threat to their livelihood, are prepared to undertake such an interruption and fresh start.

Notes

Permanent reduction of employment		
1	Instrument	Non-renewal of limited-duration employment contracts
2	Implementation Means Method	Consultation with the Works Council*/union**
		Information in good time for those concerned
		Observance of contractually agreed periods of notice
3	Start Duration	Immediate
4	Cost	None, apart from any necessary transfers
5	Feasibility	Good
6	Reference	Standard measure
* Works council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.		

Comments

The number of limited-duration employment contracts compared with the workforce as a whole varies from country to country because

of different statutory provisions. In addition, the practice differs from company to company, depending on the prevailing management philosophy. The effect thus has to be evaluated from case to case.

<p>Notes</p>

Notes

Permanent reduction of employment		
1	Instrument	Voluntary redundancy with compensation
2	Implementation Means Method	<p>Consultation/agreement with the Works Council*/union**</p> <p>As a rule, agreement with the Works Council*/union** on the method of calculating compensation: years of service, age, family status, maximum amount, etc.</p> <p>Formal contracts of termination of the labour contracts with the interested employees</p>
3	Start Duration	<p>As a rule, after conclusion of an agreement</p> <p>Until the planned workforce level is reached</p>
4	Cost	<p>Compensation proper</p> <p>Cost of internal transfers and associated familiarization training</p>
5	Feasibility	Good, provided that the compensation offered is attractive
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Comments

This instrument is only applied as a general rule for drastic schemes of job reduction up to an including the closure of parts of plants or entire plants, and in conjunction with other

instruments such as early retirement (D32), resulting in an irrevocable loss of jobs.

The instrument is relatively expensive and normally results in qualified employees who feel that they have a good chance on the employment market leaving the company.

Notes

Notes

Permanent reduction of employment		
1	Instrument	Non-employment of trained apprentices
2	Implementation Means Methods	<p>Consultation/agreement with the Works Council*/union** and, if possible, with the representatives of the trainees</p> <p>Give notice of non-employment in good time (several months before the end of training)</p> <p>Introduction of measures to facilitate the quest for work by trained apprentices (contact with Labour Market Administration; see also D9, D28)</p>
3	Start Duration	On completion of training
4	Cost	Loss of investment in training
5	Feasibility	Simple, because training contracts are generally for a limited period, and normally give no entitlement to subsequent employment.
6	Reference	E13, E17, E19
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and the company.</p>		
Notes		

Notes **Comments**

The fact that this instrument is easy to use should not tempt people to use it irresponsibly. A company which opts out of pressure to integrate a young, well-trained workforce runs the risk of encountering major problems with its age structure and advancement planning within a few years. This is particularly true if, at the same time, staff aged 55 and above are given early retirement, resulting in a major loss of workforce experience.

In the course of my many years of involvement with job-shedding and modernization in the European steel industry, nowhere have I encountered such intractable personnel situations as in those countries which have abandoned all initial in-company training: low-skilled workforces with an average age of 45 to 50 years and an age structure resembling not so much a tree as a hot-air balloon ("trust no one under 30").

Because mining and steel companies are frequently of relatively great significance to the regional labour market, the upshot is youth unemployment and a tendency to leave the

region, causing such damage to the region in the long term that no adequate potential remains even for any new industrial or service ventures.

A further chain of events is set in motion by the non-employment of young workers. Because training generates costs, the next step is for less training to be given, followed by a reduction in the training capacity. Then comes the switch from capacity-orientation to need-orientation, i.e. the policy will no longer be to recruit as many trainees as there are training places, but only as many as the company itself needs, or believes that it needs in the face of cost pressure. In a sector in crisis, this can very rapidly lead to a situation in which the only young people who wish to be trained there are those who would receive little or no training elsewhere.

One possible way out of this downward spiral is presented in this reference book in two stages - the acceptance of training contracts for third parties, and the establishment of regionally oriented skill acquisition centres (*D23 and E17*).

Notes

Permanent reduction of employment		
1	Instrument	Early retirement, taking advantage of statutory possibilities
2	Implementation Means Method	Investigate statutory conditions and those entitled to claim, and consultation in respect of financial requirements Consultation with the Works Council*/union** Enter into formal individual agreements (in respect of pensions entitlement and early qualification arrangements, etc.) after consultations with the employees concerned, and after gaining their consent
3	Start Duration	Short notice to medium-term
4	Cost	Possible transitional payments Company pension payments may commence earlier Compensation for actuarial deduction in calculating the pension Possibly through internal company transfers as a result of retirement
5	Feasibility	Good, provided that - the employees concerned are informed in detail about the effects on them personally; and - if necessary, any adverse consequences (see 4) are compensated
6	Reference	Standard measure

* Works Council denotes any body representing the interests of the employees elected by the employees.
 ** Union may denote several unions, depending on the country and on the company.

Comments

This instrument is relatively straight forward, presenting few problems for those affected by it

and associated with comparatively low costs for the company. It is thus frequently considered as one of the first measures

Notes

Permanent reduction of employment

1	Instrument	Early retirement, in conjunction with accompanying packages of social measures
2	Implementation Means Method	<p>Negotiation of an accommodation of conflicting interests with the Works Council*/union** and formal agreement of a social package, taking statutory requirements into account</p> <p>Application for funding under Article 56 of the ECSC Treaty from the national government, provided that the employees concerned are members of companies in accordance with the ECSC definition</p>
3	Start Duration	<p>At any time, taking into account periods of notice</p> <p>Depends on the planned adaptation periods</p>
4	Cost	<p>Substantial costs (depending on the nature of the social package)</p> <ul style="list-style-type: none"> - severance pay - compensation payments for restricted statutory services - extensive internal transfers, with corresponding training costs <p>Refunds in accordance with Article 56 of the ECSC Treaty, and possibly familiarization training subsidies from the Labour Market Administration</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - the standard of living of the employees concerned is largely preserved through the negotiated social package; as a rule, supplementary payments to top up unemployment assistance and unemployment benefit, and top-up payment for lost pension qualifying years - careful planning is required, because the effect of the instrument is not workplace-related and calls for extensive transfers
6	Reference	Standard measure
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		

Notes

Permanent reduction of employment		
1	Instrument	Dismissal notice of termination of working relationship
2	Implementation Means Method	<p>Consultation with the Works council*/union** on the reasons for the measure and the necessary personnel consequences</p> <p>Negotiation of an accomodation of conflicting interests with the Works Council*/union** and agreement of an accompanying social package</p> <p>Early and detailed information for the employees concerned</p> <p>Decision on target workforce and supernumerary staff</p> <p>Notification in good time to the Labour Market Administration responsible</p> <p>Application for funding under Article 56 of the ECSC Treaty from the national government, provided that the employees concerned are members of companies in accordance with the ECSC definition</p>
3	Start Duration	At any time, taking into account periods of notice and, as a general rule, after reaching agreement on the social package
4	Cost	<p>Compensation payments; level dependent on the content of the social package</p> <p>Refunds possible from ECSC funds, and possibly also funds from the Labour Market Administration</p>
5	Feasibility	May be difficult as workers and management may disagree on how the criss should be tackled and what the compensation payments should be
6	Reference	-----
<p>* Works Council denotes any body representing the interests of the employees elected bby the employees. ** Union may denote several unions, depending on the country and on the company.</p>		
Notes		

Notes **Comments**

Mass dismissals (i.e. redundancies) are permissible in the employment legislation of most European countries only in the event of serious crisis situations. They are thus the last resort. Even then, dismissal cannot be regarded as a “social instrument of crisis management”.

The fact that dismissals are nevertheless regarded under this heading can be attributed to the fact that there may exist situations where only the accompanying conditions can be dubbed “social”. Mention may be made of three conceivable cases, which are not mutually exclusive:

1. This crisis is not the first, but rather the latest in a long series, or the latest stage of a long-running crisis, in the course of which all other instruments have already been used. What is to be done, however, when even 50-year-olds have already been given early retirement, as is the case in a number of countries? Is it really acceptable to send even younger people home? And who will pay for it?
2. The plant cannot continue without putting the company itself at jeopardy, although

alternative employment is not, or is not immediately, available. It is then a case of negotiating an accommodation of interests so that both sides are able to safeguard their own economic interests.

3. The Works Council or the union(s) may not be prepared, for ideological or other fundamental motives, to accept that a company or a plant has reached the end of the line, and wish to distance themselves from any involvement in the closure of a works and its unpleasant side-effects. It then becomes a matter for management alone to determine how jobs should be cut and what side-effects must be regarded as “social”.

Whether or not this amounts to “social crisis management” will depend on the result.

Irrespective of whether agreement is reached on a social package: the aim of any accompanying social packages must be to **safeguard the standard of living of the employees**. Even a social package cannot provide them with a new job. In view of this, Chapters D38-D42 discuss the question of the responsibility of the major steel and mining businesses for the region as a whole.

Notes

Notes

Permanent reduction of employment		
1	Instrument	Qualitative flexibilization Organizational and training measures for: job enlargement, job enrichment and job rotation
2	Implementation Means Method	<p>Consultation/agreement with the Works Council*/union** concerning the aims of, and the framework conditions for, the measures</p> <p>Early and detailed information for the employees concerned about the aims and framework conditions for the measures, in order to motivate them to active involvement</p> <p>Call in outside consultation/arbitrators (to de-personalise conflicts)</p>
3	Start Duration	<p>Short notice, provided that plans exist and the persons concerned are known to be in agreement, or at least to be interested</p> <p>Unlimited</p>
4	Cost	<p>For more training and external consultancy</p> <p>As a rule a rapid improvement in earnings on the basis of quality improvements, e.g., less waste, more efficient processes, and personnel rationalization effects</p>
5	Feasibility	<p>Good, provided that</p> <ul style="list-style-type: none"> - the employees concerned were well informed and motivated, i.e. they were able to perceive advantages for themselves in the new organization, in spite of the changes and the rationalization effect - the Works Council*/union** are at least not working against it
6	Reference	C5, E2, E20
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company..</p>		

Notes**Comments**

Chapter C5 already sets out certain observations on the aims of such measures, and only a few clarifications are required here. These qualitative flexibilization measures should not, of course, be regarded primarily as instruments of job-cutting rationalization. Anyone who attempts this will fail miserably. It is, of course, legitimate to keep this aspect of a more rational, i.e. more economic, form of organization in

mind. Conflicts cannot be avoided, however, unless such aims as making work more interesting, more humane, and more efficient (and thus easier) are pursued with the same intensity. Without the active involvement of the employees concerned, such measures are destined to achieve only limited success.

The use of such measures obviously only makes sense if the business has a future. Qualitative flexibilization is an input for the future.

Notes

Permanent reduction of employment		
1	Instrument	Reduction in life-long working time by lowering the pension age for employees with particularly arduous working conditions
2	Implementation Means Method	Possible through changes in the law or collective agreements. Numerous examples already exist, including the French steel industry
3	Start Duration	Only after a change in legislation or after the introduction of appropriate collective agreements
4	Cost	Not quantifiable
5	Feasibility	Depends on the political situation and on the financial situation of the social security schemes Acceptance is good, as a rule, if compensation is paid for lower pension entitlements because of the smaller number of qualifying years
6	Reference	-----
<p>* Works council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		

Comments

It is difficult to give a definition of particularly arduous working conditions that is universally applicable in other areas (to ensure equal treatment). Work which is characterized by an above-average physical load, mental stress or equally serious environmental conditions is generally regarded as being particularly arduous.

A further measure, which can be linked directly to a reduction in the working life, could take the form of the introduction of a progressive withdrawal from working life through options for the phased reduction of working hours. Such models already exist in a few countries.

Notes

Permanent reduction of employment

1	Instrument	<p>Reduction in the number of hours worked per year through</p> <ul style="list-style-type: none"> - shorter daily working hours - shorter weekly working hours - higher leisure time demands
2	Implementation Means Method	<p>Legislation</p> <p>Collective agreements</p> <p>Plant-level agreement with Works Council*/union**</p> <p>Changed staffing schedules and shift plans; consultation/agreement with Works Council*/union**</p>
3	Start Duration	<p>Only after entry into effect of legislation, collective agreement or plant-level agreement</p> <p>Unlimited</p>
4	Cost	Not quantifiable, depends on concrete regulations
5	Feasibility	<p>Reducing daily and weekly working hours is complicated in the case of multi-shift working schedules; associated with far-reaching planning and organizational changes</p> <p>To implement higher leisure time demands (more leave, additional days off, etc.) is easy, if the funding is clear</p>
6	Reference	Standard measure, E12

* Works Council denotes any body representing the interests of the employees elected by the employees.

** Union may denote several unions, depending on the country and on the company.

Comments

For workplaces which need permanent manning, this measure leads to greater employment as a general rule; otherwise, experience indicates that a

reduction in working time is compensated for by higher working intensity.

The higher leisure time demands can also be restricted to specific groups, such as older employees or those with a particularly heavy workload.

Permanent reduction of employment		
1	Instrument	Support for self-employment ventures
2	Implementation Means Method	Requires fundamental decision of the company board
		Through cheap rental, sale or creation of land and buildings
		Through the cheap (or even free) transfer, rental or sale of plant, machinery, equipment and furniture, etc.; possibility of sale at token or scrap prices
		Through letting contracts to firms established by former members of the workforce
3	Start Duration	Through the provision of management know-how cheap or free of charge (consultancy, training)
		Short notice or medium-term, depending on whether there are any members of the workforce who have already gone self-employed, or wish to do so
4	Cost	Unlimited
		Low, or none at all, in the case of written-down buildings, machinery and furniture, etc.; may be some savings through the avoidance of transport costs
5	Feasibility	In the case of investments dependent on capital payback through rental, leasing and sale
		Good, provided that <ul style="list-style-type: none"> - new entrepreneurs are not permanently dependent on orders from the company - such activities are consistent with regional plans for the development of sites and business structures
6	Reference	D38, E6, E8, E10, E15, E16, E17

* Works Council denotes any body representing the interests of the employees elected by the employees.

** Union may denote several unions, depending on the country and on the company.

Notes

Permanent reduction of employment

1	Instrument	Outside services in place of in-house services
2	Implementation Means Method	<p>Fundamental decision required from the company board</p> <p>Consultation/agreement with the Works Council*/union**</p> <p>If possible, such measures should be combined with help for self-employment ventures by placing contracts with firms established by former members of the workforce (see D38)</p>
3	Start Duration	<p>Short notice or medium-term, depending on whether there are any members of the workforce who have already gone self-employed, or wish to do so</p> <p>Unlimited</p>
4	Cost	<p>No direct costs; more likely to be savings</p> <p>Possible indirect costs through internal transfers and familiarization</p>
5	Feasibility	<p>Good, provided that</p> <p>- new entrepreneurs are not permanently dependent on orders from the company</p>
6	Reference	D38, E6, E8, E10, E12, E15, E16, E17
<p>* Works Council denotes any body representing the interests of the employees elected by the employees.</p> <p>** Union may denote several unions, depending on the country and on the company.</p>		

Comments

This instrument can only come under “social crisis management” with reservations. The hiving off of services can make an indispensable contribution to restoring financial viability. Smaller firms can frequently be cheaper, even where wages are the same, because they have to pay far lower overheads. It is entirely in the

interests of the region if a contribution to cost reduction can be made in this way in order to keep a company going at a particular site, being a contribution to diversification of the economic structure. If, into the bargain, the instrument is linked to the encouragement of self-employment ventures (*see D38*), the benefit will accrue to former employees.

Permanent reduction of employment		
1	Instrument	Support for "employment companies"
2	Implementation Means Method	Possible establishment of own employment company (i.e. external labour pool made up of former employees)
		Through free or low-cost rental, sale or creation of land and buildings
		Through free or low-cost rental or sale of plant, machinery, equipment and furniture, etc.; possibility of sale at token or scrap prices
		Through the letting of contracts
3	Start Duration	Through the provision of management know-how free of charge or at low cost (planning, consultancy, training)
		Medium-term, depending on contract and approval time-lags
4	Cost	For as long as necessary: limited, due to dependence on public funding
		Low, or none at all (e.g. written-down buildings, machinery and furniture, etc.)
5	Feasibility	Good, provided that such activities are compatible with regional plans for the development of sites and economic structures
6	Reference	D38, E10, E14, E16
* Works Council denotes any body representing the interests of the employees elected by the employees.		
** Union may denote several unions, depending on the country and on the company.		

Comments

“Employment companies” only have a realistic chance of fulfilling their function as an employment and skilling bridge to early retirement or to new regular employment if they

receive start-up and survival assistance from the companies whose job-cutting activities have made them necessary in the first place. This is a part of the responsibility which such companies have for the region as a general rule.

Notes

Permanent reduction of employment		
1	Instrument	Measures to promote alternative employment opportunities (vgl. D42)
2	Implementation Means Method	Through capital involvement in promising new business ventures in the region Through involvement in regional risk capital funds Through the cheap rental, sale or creation of land and buildings Through the letting of contracts Through the provision of management know-how free of charge or at low cost (planning, consultancy, training)
3	Start Duration	At any time, and wherever worthwhile opportunities present themselves For as long as necessary
4	Cost	Not quantifiable
5	Feasibility	Good, as a general rule, provided that such activities are compatible with regional plans for the development of sites and economic structures
6	Reference	E2, E3, E11, E12, E16
* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.		

Comments

Old-established regions are often attractive locations for other, promising industrial and service sectors, for a variety of reasons. Involvement in the economic development of the region can be economically attractive if promising development activities by the old indus-

tries can be successfully combined with new enterprises, especially if the very different diversification interests of the groups concerned can be successfully integrated. However, this is conditional upon the old industry retaining a future in the region, in spite of all the problems, or making progress in new areas (e.g. environmental protection).

Notes

Permanent reduction of employment		
1	Instrument	Involvement in the re-industrialization of the region
2	Implementation Means Method	<p>Through capital involvement in promising new business ventures in the region</p> <p>Through involvement in regional risk capital funds</p> <p>Through the rehabilitation of old industrial sites, possibly as a new sector of business activity</p> <p>Through own development or sale to regional bodies, with the aim of creating new industrial and business land and buildings</p>
3	Start Duration	<p>Immediate</p> <p>For as long as necessary</p>
4	Cost	Not quantifiable
5	Feasibility	Good, as a general rule, provided that such activities are compatible with regional plans for the development of sites and economic structures
6	Reference	E2, E3, E8, E11, E12, E16
<p>* Works Council denotes any body representing the interests of the employees elected by the employees. ** Union may denote several unions, depending on the country and on the company.</p>		
Notes		

Notes**Comments**

D41 and D42 have been separated for a number of reasons which may not be immediately obvious. While D41 concentrates on alternative jobs in the region, D42 is concerned with creating a new, future-oriented economic structure in the region. One important point is that, as far as possible, due regard should be given to industrial activities, bearing in mind that the widespread practice of concentrating on service-sector companies to the virtual exclusion of any other disregards the fact that only very few regions can, in the long run, hope to exist on the basis of such a one-sided economic structure. Without an adequate manufacturing industry base, many of the service industries will not be viable.

Another equally important argument is that most of the workers who used to find employment in industry will find it easier to adapt to an industrial structure, whether or not they have to go in for further training or retraining. It is easier and individuals and for the region as a whole to cope with the change - and the social costs and individual problems are certainly likely to be much less - if the change from old to new is not too abrupt.

If a region is to make systematic use of its local potential and make optimum use of its strengths and advantages, it must be in a position to deploy its resources to maximum advantage. One of the most important such resources is land suitable for new industrial and service companies. As it is virtually impossible in traditional industrial regions to develop new industrial estates without making further in-

roads into limited environmental resources, one of the obligations (an immensely costly one) resting on crisis-hit regions is to carry out remedial and restorative work on established industrial sites.

Generally speaking, then, mining and steel companies (which are still a force to be reckoned with, even after the crisis) have a social duty and responsibility to either do such work themselves or at least make such sites readily accessible to the regions, regardless of whether or not there is money to be made. The fact is that the expert rehabilitation of old industrial sites has now become a profitable business, one in which the former coal and steel companies are active too.

In the better times before the crisis, the coal and steel companies were never very good at facilitating access to the enormous sites they normally have available or simply keep in reserve for future contingencies (which of course will never be needed now). They were constantly concerned that other industries might tempt their workers away with better working conditions and more attractive pay structures. The coal and steel industries have frequently (not solely) been responsible for the kind of industrial monostructure which has in the past dominated many of the traditional industrial regions. As a result, they cannot now ignore the duty they have to help create a new, more viable future for the people in such regions.

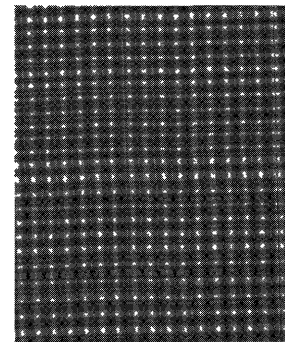
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Models of social crisis management



Introduction: Models are not patent remedies

Models are not patent remedies. Among the models of social crisis management set out in this section, no-one is going to find precisely the right model to fit a given situation. The conditions differ too much from country to country and from case to case in terms of laws, institutions and associations, funding availability and, last but not least, people; those who have to decide what should be done and those who have to do what they are told. So what can we expect to gain from such models? Essentially, they serve as examples, as case-specific compendia and combinations of instruments which have been used in the coal and steel industries in the Member States of the European Community, and which have been analysed from the point of methodology for use in this manual..

In other words, the intention is indeed to put forward suggestions, proposals and points of departure for practitioners, and not just in the coal and steel industries. They do not, however, claim to be directly applicable. Making the right selection, hitting on the right combination of instruments and even of mod-

els - all this is part and parcel of an adaptive process which has to take place at a local level.

Indeed, in view of the persistent crisis in the coal and steel sectors - and in other major industries - it is quite possible that we shall have to design entirely new instruments for social crisis management.

- Who is there left to take early retirement when the workforce has already been stripped of virtually all possible candidates of the right age?
- Can society still afford to pension off (in one form or another) people from the age of 50, or even, in some cases, 45?
- Quite apart from the cost to society, is it reasonable or desirable to dispense with such people's knowledge and know-how, experience and productivity?ten?

This section - indeed, this manual - contains no answers to questions like these.

Models

What we wanted was for Section E to present realistic solutions in as standardised a form as possible, prompted by questions like: **Who? Where? How many? What conditions? How? What? At what cost? With what result?**

We failed. For one thing, the data we received varied too widely. Although the questions we asked were closely structured, the way they were analysed and processed in the case studies we received from all over Europe was very different. For another, it became clear that the individual models simply differed too much in themselves to follow a common pattern. We

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cannot, therefore, unfortunately provide a systematised series of conclusions after each chapter.

Nonetheless, I have tried, in describing the various models, to accommodate all this information, without resorting to excessively schematic treatment. It will be up to the reader to decide whether I have succeeded in that, at least.

Nor was it a primary interest of mine to draw up a kind of performance ranking or even a full-scale evaluation of achievement. The main aim of this section on the various models is to show what kind of instruments can be used to deal with a particular problem. In no case have I attempted to assess whether or not a particular solution has or has not been successful. All I have done is to reproduce the opinions of persons concerned and persons affected.

The most important reason for this is that I am convinced that a model which has proved its worth at a particular place under particular conditions is not automatically bound to succeed at a different place and under different conditions - nothing like it in fact. The reverse is also true, in that something that has failed at one place may prove perfectly suitable in another.

Likewise, while there are in almost all cases details of the funding of the various models or instruments, I have deliberately not concentrated on the financial aspect.

The fact is that, if we concentrate too much on the financial limitations to which we are all subject, we tend to restrict our imagination and our aspirations. And that is not good news for the people we are supposed to be helping.

Nor does it help those who have either volunteered or been conscripted to help. We will all get brought back to earth soon enough.

The scope of this section is wide, ranging:

- from nationalisation as a form of socialization, and as a means of making change a full-scale social obligation,
- via the various means of constructing sound bridges from employment to a new kind of lifestyle, of whatever form,
- to companies' attempts to grapple with crisis situations on their own.

An enduring consideration has been whether and how crisis-hit firms have or have not taken account of the crisis in the region.

Experience

The original intention was to produce a separate section (F) detailing people's experience with the models set out in this section. To do so, though, would have meant doubling the description of the framework conditions. The details of "experiences" promised in the manual's subtitle have therefore been incorporated into the various model chapters wherever the case studies produced useful experience.

These details are of a very differing nature, ranging from a brief description of the way the crisis proceeded and how fictitious workers viewed or experienced or coped with the crisis, to résumés of the views of management and works councils, unions and employers' associations, local authorities and regions.

Nationalisation as a form of socialisation

Of the various premises of “social crisis management” covered in this manual, nationalisation, as one of the most widespread forms of socialisation, represents an attempt to effect change in industries which are of fundamental national interest over a longer timescale and under improved financial and social conditions by creating a broader basis of economic, social and political responsibility in the form of direct ownership and participation on the part of central or regional government agencies.

Setting up nationalisation as a model for social crisis management at a time of wholesale privatisation and the Single European Market requires some explanation.

What we will not be discussing

1. There will be no ideological discussion. It is not up to us to decide whether socialisation, in any form, might be a viable political option for society.
2. Nor will there be any international comparison of whether nationalisation is or is not, has or has not been, a better or worse form of social crisis management than private-sector measures.

What we shall be discussing

There are two main reasons why it is essential to discuss this topic here.

1. There are nationalised coal and steel industries in Europe. To be more precise: In all the Member States the coal industry is or has been organised as a state or quasi-state (i.e. as a single national enterprise) industry - unless, of course, it ceased to exist beforehand. There is only one country in the European Community - Germany - in which the steel industry is not a state-run, or a quasi-state-run, business - or at least was until recently (British Steel). Generally speaking, the enacting legislation states that the aim of nationalisation is to guarantee supplies of whatever is the raw material and to secure the industry's competitive position. In other words, nationalisation always was, and still is, an authentic model of crisis management. Whether it has always been “social” in nature is another matter. At any rate, I would think it ill-advised to present any particular variant as **the** “model of social crisis management”.
2. Looking at eastern Europe, where the crisis in the coal and steel industries is just one aspect of the wider social crisis, delaying the privatisation process might in itself be a genuine option.

The aim of this chapter is therefore to describe the frame of reference within which nationalisation has been or might be an aspect of crisis management, ignoring for the time being the fact that the same aims can often be

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achieved by other means - and, indeed, may well have been so.

Nationalisation: Why?

Looking beyond the ideological aspect of many of the debates and decisions on the nationalisation issue, there are a range of situations which have typically led to a decision to nationalise coal or steel in some form or other. These fall basically into **two types**: (a) coal and steel as a national duty, (b) coal and steel as a national problem.

The first type was typical of the expansion phase of Europe's immediate post-war economy, leading in 1952 to the creation of the ECSC. The second type is more typical of the problem phase which set in in the coal industry in the late 1950s and in the steel industry in the second half of the 1960s and again in the mid-1970s. The two types can often only be differentiated on analytical grounds.

Coal and steel as a national duty

- Coal and steel are primary industries, the efficiency of which was always regarded as vital to the prosperity of the national economy and to national self-reliance. Whether the logic is just as compelling now at a time of ever closer links in Europe - at least in western Europe - is another matter.
- In order to maintain the competitive status of these national primary industries, the enormous scale of investment occasioned by the sheer size of production facilities

was defined as a national duty. In other words, nationalisation seemed to be the only way of making the task economically manageable or feasible.

- The need to maintain a competitive position is closely associated with the need for managing technical change. Here too, the sheer scale of the investment requirement is a central issue.
- All these points lead to the argument that the task is unmanageable without extensive state funding, and that if the state becomes so heavily involved, it must also exert proprietary influence - not least with a view to achieving structural policy aims which go beyond the purely competitive aspect.

Coal and steel as a national problem

The initial situation and arguments here can be condensed into the following two main points:

- Large sections of the two industries - or, indeed, the industries as a whole - are no longer competitive. The important thing is to avoid closures and the resultant mass redundancies, because of the dire consequences for workers and their families and the likely social unrest.
- Job-shedding on a massive scale is inevitable. The important thing here is to avoid the economic decline, not to say the ruination, of entire regions which are structurally dependent on coal and/or steel.

In the following articles, we are concerned generally only with coal and steel as a national

problem, the solution of which is deemed to be a national duty. This, of course, entails formulating positive objectives which go beyond mere crisis management; crisis management, after all, is not sufficient justification in itself for direct state intervention.

This is particularly true where it is unlikely to be a matter of scaling an entire industry down to zero in as socially acceptable a manner as possible. But that was precisely what state or quasi-state coal companies found themselves having to do sooner or later in a number of countries, even where they had resisted the final exit option for a very long time.

Nationalisation: Aims

What is important is of course how we can formulate positive objectives against this problem-strewn background. Clearly, the arguments advanced by the pro-nationalisation lobby are going to carry a good deal of weight. However debatable they may be, the fact is that they tended to be in the forefront of discussions.

The aims of nationalisation are:

- to preserve the international competitiveness of an industry of national importance; and hence:
- a thoroughgoing restructuring of the industry, as a part of preserving the international competitiveness - something of which competing private companies may not be or are not capable;
- technological renewal of the entire industry, this going hand in hand with the restructuring drive, and which is beyond the capital funding of private companies.

One of the economic aims of such adaptation processes - regardless of whether they are essentially expansive, consolidatory or contractive - is to bring about a major increase in productivity through the synergy effect resulting from corporate restructuring and rationalisation. Achieving these aims is vital if the industry is to be internationally competitive and avoid becoming permanently dependent on public-sector subsidies.

Consolidation or contraction measures are bound to generate mass redundancies and the loss of industrial sites, with all the attendant consequences for the regions concerned. Because the coal and steel industries have always tended to be concentrated in particular regions and to dominate those regions' industrial structures, the social dynamite inherent in works closures and workforce redundancies is something that cannot be handled by individual companies, by conglomerates or even by the region alone. It is essential for the state to become involved as the authentic representative of the nation and of society as a whole.

At this juncture, the proponents of nationalisation tend to put the case for the **direct involvement of the state as owner**.

- The scale of the requisite investment, the pay-back period and the attendant risks are way beyond the means of private capitalists. The indispensable state subsidies must be used in such a way that the state is

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not just a provider, but can also intervene on specific structural options. This regards just the corporate and industrial restructuring process - not the social and regional consequences.

- In tackling the social ramifications in a way which is not inimical to the workers and their families, recourse has to be had to social, state or para-governmental funding mechanisms. Again, direct state involvement is the logical conclusion.
- The same is true of the regional restructuring process which is inevitably associated with the die-back of major industries like coal and steel. The most compelling argument for nationalisation here is that, if the companies concerned are still owned by private shareholders, it might be difficult to impose on them the moral responsibility for a region which they have greatly influenced - if not dominated - for decades.
- The main **social and regional-policy argument** advanced by the proponents of nationalisation incorporates all these individual aspects. It is, according to them, only nationalisation which can realise the in-

dustry's full synergy potential and prevent wasteful parallel investment projects. This would in turn enable social resources to be used more purposively for economic ends and would release the kind of funding which would enable the restructuring process to be spread over a longer period and the social and regional follow-up investment to be applied in a more orderly manner.

In this respect, the nationalisation option can indeed be regarded as a model of social crisis management.

I have deliberately refrained from going into more detail on the various nationalisation models. This would not be possible without making a value judgement, and I simply do not have enough information to do that. Nor is this the right place to make an assessment. Instead, I would refer the reader to the various chapters of Section E describing the forms of social crisis management applied by state and para-governmental coal and steel companies. Here again, the descriptions may be incomplete, so any assessment will be dependent on obtaining more detailed information.

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Model: Ruhrkohle AG

Ruhrkohle AG, one of Germany's largest industrial undertakings, is a specific company model of crisis management in the coal mining industry, with the aim of managing industrial modernization and mass redundancies in an economic and socially acceptable fashion.

The coal mining industry in post-war Germany

The West German coal mining industry was one of the main employers in the first two post-war decades. It still had 600 000 employees in the mid-50s. By the end of the 1950s, 70 per cent of the primary energy consumption used coal as the cheapest energy raw material. Today, the figure is only 20 per cent. From 1957 onwards, the German energy economy increasingly preferred cheap imported oil and other energy sources.

Because of the continuing high demand for labour in other sectors, the resulting loss of jobs in the mining industry did not initially produce any dramatic consequences, even

though the 55-60 year-olds, with their special vocational skills, proved difficult to integrate into other sectors of industry. The instruments of early retirement and financial bridging aid were used during this first adaptation phase.

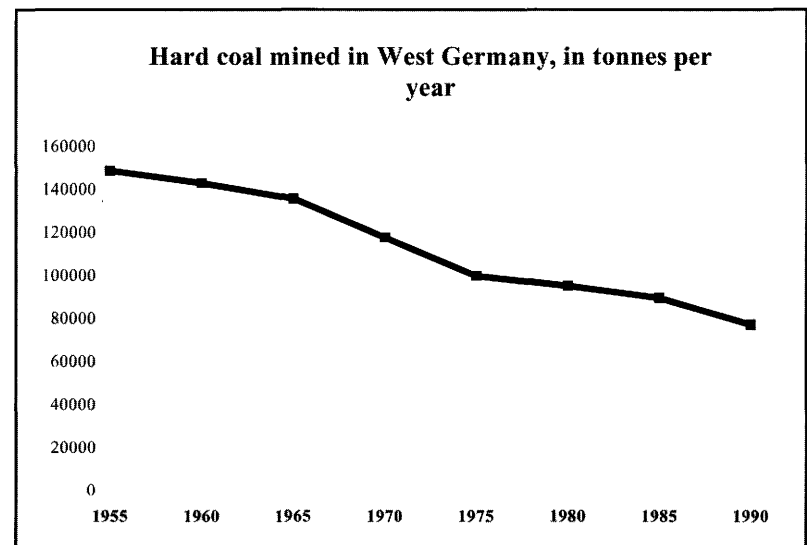
The number of employees in the coal mining industry had fallen to 115 000 by 1992. Adverse geological conditions required enormous technical expenditure. This made German coal uncompetitive, with its price of approximately DM 260 per tonne (compared with DM 100 per tonne for imported coal), in spite of all the efforts at rationalization and high productivity. It required subsidies and restrictive import quotas in order to survive.

Sales of domestic coal are guaranteed through the *Jahrhundertvertrag* (= century agreement) and the *Hüttenvertrag* (iron and steel agreement). The Century Agreement,

Germany



E3 is based on a case study by Rainer Ollmann and Oliver Steigerwald



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entered into in 1980, gives precedence to coal over other sources of energy and replaced the subsidies from public funds by a surcharge on the price of electricity (known as the “coal charge”) paid by the consumer. The Iron and Steel Agreement provides for the supply of 20 million tonnes of coking coal to the steel industry up to the year 2000, with the public authorities making good any difference between the world market price and the price of domestic coal. Neither agreement has gone without criticism, either in a European context or in Germany itself.

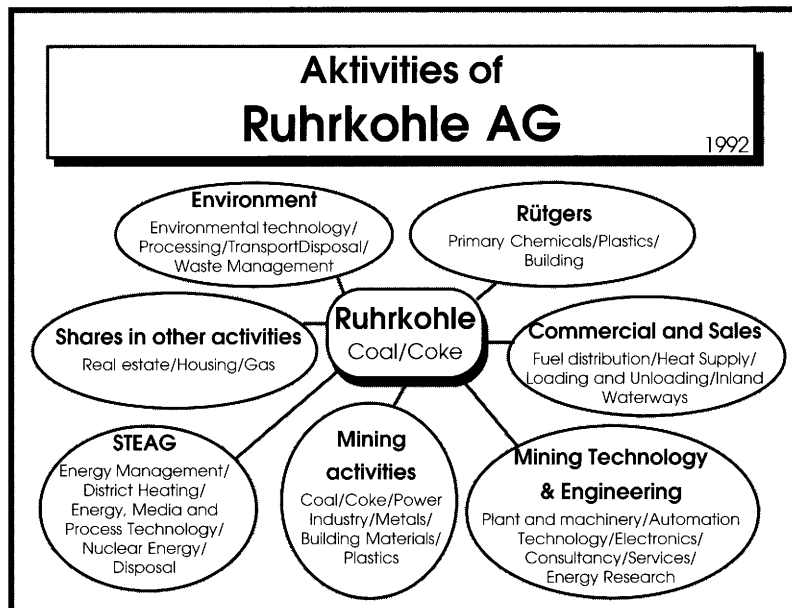
“Ruhrkohle AG” Reform of the corporate structure

The “Act for the adaptation and rehabilitation of the German coal industry and German coal mining areas” (*Kohleanpassungsgesetz*) was passed in 1968, against the background of crisis in the industry. The aims of the Act were:

- to create a balance between coal mined and coal sold;
- to create companies of optimum size;
- to encourage and secure a market-oriented sales policy;
- to provide social security for employees in the mining industry; and
- to improve the economic structure in mining areas.

The total reform of the corporate structure of the Ruhr mining industry was to occupy a central role within this process. In the same year in which the Coal Adaptation Act was introduced, the old-established companies, the unions, the Federal *Land* of North Rhine-Westphalia and the Federal Minister of Economics reached agreement, after several negotiation rounds, on the establishment of an umbrella company, known as Ruhrkohle AG (RAG).

On 1 January 1970, RAG commenced its commercial activities with seven regional management companies and a total of 187 000 employees distributed over a number of administrative units, 52 pits, 29 coking plants and five briquette factories.



Aims of Ruhrkohle AG: Modernization and socially responsible job-shedding

Ruhrkohle AG is not only one of the largest German industrial groups, but also acts as the institutional framework without which the German coal mining industry, which has been affected by crises for decades, might not have survived. Without any reservation, we can say at least that the critical structural change, with the associated processes of economic and social adaptation in the coal mining sector, would have taken a much less favourable course. Not until Ruhrkohle AG was set up, practically as an **institutionalized crisis management programme**, did the national coal economy develop into a highly efficient (at least in part) sector of the economy, enabling the unavoidable job-shedding to be organized in an economically acceptable and socially responsible manner. It was only in this way, finally, that the Ruhr region, with some 6 million inhabitants, has survived as an extremely important working and living area from an economic, social and cultural point of view.

The RAG was established with the **aim of adapting production to sales at the lowest possible cost to the public sector**. Nevertheless, more than DM 27 thousand million were spent by the public sector between 1981 and 1991 on maintaining the RAG, quite apart from the revenue from the “coal charge”. The result was comprehensive, yet socially responsible redundancies. In the financial year 1991 alone, expenditure amounting to almost DM 1.9 thousand million was incurred by the group

as a result of closures and redundancy-related measures.

In addition, output had to be concentrated on the most favourable profitable pits and had to be tailored to the optimal size, irrespective of ownership, which led to the creation of **consolidated pits**. These are groups of mines and their coal seams linked underground to form a new, more efficient operating unit. This gives access to workable reserves and preserves jobs. Mining, processing and infrastructure are concentrated in a single unit and can be organised in a more rational fashion.

One important element of the RAG structure is the appointment to each works management committee of a **director for personnel and social questions** (“Labour Director”), based on the union-sponsored principle of codetermination, who is nominated by the mining union, the IGBE, and elected by the Supervisory Board. He is responsible for, amongst other things, the social aspect of the requisite restructuring.

The multi-stage process of adaptation is not yet complete. The structure of the RAG is still being streamlined at the present time. The management companies, initially seven in number, were amalgamated in 1990 to form two administrative units, and in future there will be only a single company with its head office in Essen.

Overcoming the crisis by getting out of coal

Alongside traditional crisis management and the social measures to cushion adaptation, the German coal mining industry has concentrated

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increasingly since the start of the 1980s on the strategy of moderated structural change through a continuous process of innovative **diversification**. Instead of just managing the decline of the mining industry, *Ruhrkohle* wishes to utilize the development potential of its associated companies outside the coal sector and to embark upon a process of **overcoming the crisis by getting out of coal**. By the year 2000, the intention is for the non-coal business, with its current level of approximately 22 000 employees, to have achieved approximately the same size as the coal mining sector. In addition to coal-based chemicals, the new commercial activities include environmental technology, transport and logistics, information and communications technology, electrical and conductor technology, and mechanical and plant engineering.

The establishment of a holding company is envisaged to combine all participations and activities outside mining. In 1991, 36 per cent of RAG turnover came from outside the core business. In developing the non-coal business, the German mining sector can utilise its "traditional competitive advantages": young, skilled workers, outstanding training capability, know-how in different technical fields and in the application of the latest technologies, and knowledge and experience in the management of large-scale projects, in supply and waste disposal and in logistics.

The example of environmental technology

The end of the 1980s saw the formation of **Ruhrkohle Umwelt GmbH**, with its head-

quarters in Bottrop, for the purpose of coordinating and extending RAG activities in the environmental sector. After three years' existence, the company now comprises around 30 specialist businesses with more than 3000 employees and a turnover in excess of DM 970 million, which has thus more than doubled in only three years. The business activities of Ruhrkohle Umwelt GmbH are concentrated in four areas: disposal of hazardous waste; land decontamination/waste water treatment; disposal logistics; and recovery of residual materials. The disposal of hazardous waste is the most important area of the business at the present time, with a turnover of around DM 400 million. Ruhrkohle Umwelt GmbH is now the largest such waste disposal company in Baden-Württemberg. Major contracts are also being carried out increasingly in foreign countries, such as the cleaning of a major refinery in Russia, or the planned bacteriological clean-up of the oil-contaminated desert in Kuwait. Stricter environmental legislation and the underdeveloped disposal industry in the EC will open up enormous market opportunities for this branch of the business in the years to come. Annual rates of growth of between 10 and 15 per cent are being forecast for the other areas of the business too in the 90s.

Ruhrkohle, with its colliery infrastructure, enjoys an enormous competitive advantage in disposal logistics. The worked-out pits contain sufficient **underground final storage facilities for hazardous waste**, only a very small proportion of which has been used up until now. Around 250 000 tonnes per year of power station ash and filter dust containing a considerable proportion of heavy metals are disposed

of in the available cavities. Around 500 specialized vehicles are available for the transport of these substances. The two transport companies in the disposal logistics division have in the meantime achieved a turnover of more than DM 220 million. Even though development of the environmental area of Ruhrkohle represents a major step towards structural change, the immediate effects on employment and the contribution to solving the employment problem in the coal mining industry are small. Only a few hundred ex-miners have found employment in the environmental protection area of the RAG. So although structural change in the coal mining industry associated with RAG's new commercial activities cannot replace the more traditional flanking measures, it can supplement and improve them (*see also the presentation of the social plan for the "Emil Mayrisch" mine; E13*).

The new form of crisis management: "Joint Venture Company for the Aachen Region" (BGA)

This new variant of crisis management is being implemented wholeheartedly by the *Eschweiler Bergwerks-Verein* (EBV), now a Ruhrkohle company, which had to cease mining in the Aachen district at the end of 1992 because of the exhaustion of commercially exploitable reserves. The *Beteiligungsgesellschaft Aachen-*

er Region (BGA) (Joint Venture Company for the Aachen Region), a wholly-owned subsidiary of EBV, was established for the purpose of consolidating and developing the non-mining sector, concentrating on metals, plastics, building materials, real estate and services. With its approximately 1 720 employees, the BGA achieved a total turnover of DM 330 million in

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1990. The **strategic objectives** of the *Eschweiler Bergwerks-Verein* in creating the BGA were:

- systematic expansion of its existing promising business sectors, especially in the Aachen region;
- involvement in high-growth companies and cooperation with technology-oriented businesses centred *inter alia* on the University of Technology in Aachen and the other research facilities in the Aachen region; and
- support for new industries, utilizing resources available in the region such as land earmarked for commercial purposes, production facilities, and economic and technical know-how.

The “Joint Venture Company for the Aachen Region” model might thus point the way for the coal mining industry in Germany, illustrating how to make an economically meaningful and socially acceptable transition from a traditional coal mining company to a very modern and diversified complex of companies, **utilizing the local potential of the Aachen region**, in particular the qualified and highly motivated labour force potential, the scientific infrastructure of the region and the institutionalized transfer between scientific research and product development. The close association between research and practical application desired by the BGA is also reflected in the company’s fields of activity (*see chart*).

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Model:

RICONVERSIDER

RICONVERSIDER is an agency for the promotion of employment and industrial development in the Italian region of Lombardy. It also acts as a link between the demand for jobs created by the steel crisis and the available vacancies.

The steel industry in the Lombardy region is characterized by small and medium-sized businesses which make steel predominantly from scrap in electric furnaces and manufacture long products. There is a particularly high concentration of these businesses in the province of Brescia, where, since the mid-80s, a drastic process of concentration has been under way, in the course of which the number of companies has been reduced to almost half.

RICONVERSIDER - Società per la riconversione siderurgica nella Regione Lombardia (company for the restructuring of the steel industry in the Lombardy region) - was formed in May 1984 at the initiative of the Lombardy region by companies, institutions and trade associations in Lombardy:

- Finlombarda (an association of companies with State participation in Lombardy);
- Mediocredito Lombardo (a credit institution in the Lombardy region);
- National steel associations;
- Federazione Regionale degli Industriali Lombardi (association of industrial employers in the Lombardy region);

Aims of RICONVERSIDER

- Creation of a single body to bring together all economic operators likely to be affected by the problems of the steel industry.
- Creation of an interface for the supply and demand of employment for difficult-to-place (i.e. older and low-skilled) workers.
- Financial incentives for the employment of such workers without the usual red-tape.
- Low-cost advice and support for companies by experts (financial or marketing analyses, advice on training measures, etc.).

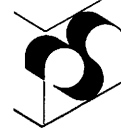
- the provinces of Milan, Bergamo and Brescia;
- Associazione delle Piccole e Medie Industrie (association of small and medium-sized businesses);
- Craft associations; and
- Cooperative associations.

RICONVERSIDER advises and supports companies throughout Lombardy which need help for investment measures in order to employ former steelworkers. Special consideration is given to the towns and areas of Lombardy that are particularly badly affected by the steel crisis. They were selected by the Regional Parliament. Since the end of the 80s, the scope of RICONVERSIDER has been extended to include other steel-producing regions in Italy.

In order to ensure efficient and dynamic organization, the decision-taking and operational levels were directly linked.

Italy

**RICONVER
SIDER**



E4 is based on a case study by Rolf Uessler

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Financing

Financial support comes from ECSC funds, from the RESIDER programme, from the EC

Structural Fund (*see A2*), and from national and regional funds in the context of an integrated special programme for Lombardy.

Available services

The agency operates at **two levels**. On the one hand it is involved in **paving the way and preparing for measures and projects**, and on the other hand it is directly involved in the **implementation of measures and projects**. Finlombardia and Mediocredito Lombardo in particular provide professional support services for financing and the submission of applications.

Standard services

The following standard services are offered by RICONVERSIDER to all interested parties:

- systematic information relating to the economic and structural development of the steel industry;
- analysis of employment opportunities (occupational profiles and retraining, etc.);
- permanent contact with European and national authorities (in particular the Ministry of Employment and Industry) where the relevant industrial and social policy decisions affecting the steel industry are taken, in order to represent the interests of the Lombardy steel industry;
- formulation of restructuring programmes and support for their implementation;
- information and advice on technological innovations (above all with regard to the profi-

table use of electric furnaces and continuous casting), environmental problems, cooperation between companies, analysis of possible new areas of intervention;

- in cooperation with the Lombardy region: social intervention in company crises, and advice on new forms of industrial relationships.

Project-specific services

In relation to a "normal" project, the range of services offered by RICONVERSIDER is more or less as follows:

- analysis of the personnel structure of a company and quantification of the personnel surplus;
- inventory of available instruments for "socially responsible" job reductions;
- analysis of the local business environment and the employment market up to and including the designation of alternative job opportunities in other firms;
- recommended training and retraining measures;
- implementation of training measures (tutoring);
- care of employees up to the point at which they obtain a permanent contract of employment in another company;
- advice with regard to indirect support measures (choice of technology, organization, etc.).

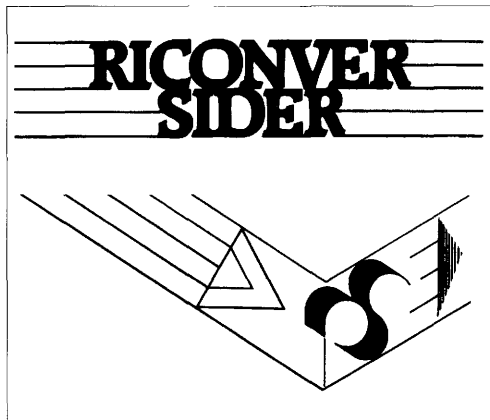
Examples

Example 1:

"Deltasider" in Sesto San Giovanni

A "typical" case of how RICONVERSIDER works is that of Deltasider in Sesto San Giovanni. Application was made for *Cassa Integrazione Guadagni Straordinaria* (see E4) funding on behalf of 120 employees affected by various restructuring measures. The reason was the final closure of the last hot broad strip mill in September 1989.

RICONVERSIDER compiled an analysis of vocational qualifications and an individual profile of every employee involved. The demand for workers in the region was then examined, discussions were held with the potential new employers, and a training programme was drawn up. The 120 employees then received retraining or further training in line with their intended new employment.



The retraining consisted of two parts. The first part essentially provided theoretical knowledge for the new employment and took place in a regional vocational training centre. The second part was devoted to practical experience at various workplaces, including a hospital, a cooperative and a private company making lifts.

The whole process was welcomed by the unions.

Example 2: "Dalmine"

This integrated steelworks had to undergo drastic job-shedding, with the aim of achieving a better cost structure and improved productivity. This involved a reduction of around 20 per cent in the workforce, i.e. approximately 1 500 persons.

RICONVERSIDER took over the **planning** of the entire measure in this case:

- selecting the employees concerned;
- selecting mobility instruments, such as outplacement, termination of contracts of employment, etc.;
- examining opportunities for involving local businesses and other economic operators;
- proposing alternative approaches to vocational development through in-service training;
- proposing ways of implementing the measures (internal/external, etc.).

A detailed study of the capacity of the employment market in and around Bergamo was then undertaken on the basis of these

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proposals. The likely sectors of the employment market and all companies with more than 200 employees were then investigated in respect of their development potential. It was then possible to accurately target the placement and training of jobseekers.

An internal transfer measure was also planned and implemented at the same time, in the form of an "environmental task force" within "Dalmine".

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Model: Cassa Integrazione Guadagni Straordinaria

The Cassa Integrazione Guadagni is a government fund for compensating employees for disadvantages suffered when a company finds itself in economic difficulties. The special measures (*straordinaria*) provided under this fund permit employees affected by economic crises to be put for a specific period on short-time working (ranging as far as short-time zero). Their contract of employment remains in force during this period and they receive around 80 per cent of their last income. The cost is met by the Department of Social Security (*Istituto Nazionale della Previdenza Sociale, INPS*).

The *Cassa Integrazione Guadagni* was created in 1941 (at a time when the country was still under fascism) and has since been regularly updated. The *cassa integrazione ordinaria* - the ordinary compensation fund - was subsequently extended to include the *cassa integrazione straordinaria* - the extraordinary compensation fund - and was expanded to take in

practically all branches of industry. The extension of these special measures to include the steel industry was by way of a Statutory Regulation (No. 120 of 1 April 1989), which has been updated in each of the following years.

In this case the application of the special measure in support of the efforts at reorganization in the steel industry involved fixing the duration of short-time zero working at two to three years. The wage costs, of the order of 80 per cent of the latest income, are met by the national social security system. In Italy, this covers pension and unemployment insurance, the special pension fund for the self-employed, child benefit and the *Cassa Integrazione*.

Around 10 000 employees in the public steel sector have been affected by this measure since 1989. No accurate details are available for the private sector. The companies themselves determine which persons are covered. The unions decline all involvement.

Anyone who has not found other employment by the end of the period of short-time working must either retire, accept early retirement, or register as unemployed. The *Cassa Integrazione Guadagni Straordinaria* (CIGS) thus acts as a **buffer** between the notification of crisis measures and the final termination of employment. Other measures for improving the individual situation of persons concerned can be introduced and implemented during this period.

The CIGS thus has to be looked at in close conjunction with other measures for attenuating the social effects of company or sector crises. These include reindustrialization programmes for the various regions concerned

Italy

INPS

CASSA INTEGRAZIONE GUADAGNI

Il trattamento straordinario di integrazione salariale per i lavoratori della siderurgia

INPS - Circolare n. 136/GS del 17 novembre 1989

Il decreto-legge 1° aprile 1989, n. 120, convertito con modificazione nella legge 15 maggio 1989, n. 181, tra le misure di sostegno e riabilitazione in situazione del piano di risanamento della siderurgia, ha disposto all'art. 2, comma 10, a favore dei lavoratori in godimento del trattamento straordinario d'integrazione salariale, dipendenti delle imprese specificate nei paragrafi, che lasciano esistere una attività di lavoro autonomo o associato, la liquidazione una somma del trattamento stesso in misura pari a 36 mensilità, rilevate a 42 per 100 del giorno.

Inoltre il decreto-legge n. 120 del 1° aprile 1989, art. 2, comma 10, per i lavoratori...

E5 is based on a case study by Rolf Uessler

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and requalification programmes with support via the European Social Fund (ESF) and/or national financing. RICONVERSIDER (see E3) provides a specific example of both.

One major difference from the situation in most other countries is the fact that, although the CIGS is a form of “unemployment insurance”, it does not take effect only where there is no contract of employment. The employee remains formally employed by his or her old company. It is thus a form of “**unemployment with a contract of employment**”.

INPS

**PIANO DI RISANAMENTO
DELLA SIDERURGIA**

Alcuni chiarimenti in merito alle agevolazioni contributive per le aziende che assumono lavoratori provenienti dalle imprese di cui all'art. 1, legge n. 181/1989

INPS - Circolare n. 260/RCV dell'11 dicembre 1989

Il D.L. 1° aprile 1989, n. 120 convertito con modificazioni nella legge 15 maggio 1989, n. 181², prevede, tra l'altro, all'art. 3, agevolazioni contributive a favore dei datori di lavoro che assumono lavoratori provenienti dalle imprese del settore siderurgico specificate all'art. 1.

Le agevolazioni consistono:

a) nel pagamento del contributo nella misura fissa prevista per gli apprendisti, relativamente alla parte a carico del datore di lavoro, per un periodo di trentasei mesi (il minor gettito previsto per il F.P.L.D. 2)

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Unemployment with a contract of employment and a guaranteed wage

- Article 3 of Statutory Regulation 120/89 accordingly provides for steelworkers to register at regional level in special lists of **jobseekers**. Where an employee finds alternative employment, his old contract of employment continues to apply until such time as a new open-ended contract of employment has come into force, as a general rule at the end of the probationary period, if any.
- The employee also receives a **guaranteed wage** for a period of 18 months. The *Cassa* meets the difference during this period if the wage paid by the new employer is lower.
- Employees who reach pensionable age or early retirement age during their period with the *Cassa* will be credited with normal contributions and company service for this period.
- Employees who become self-employed during their period with the *Cassa* will continue to receive CIGS payments for up to 36 months as a transitional payment.
- Finally, **companies** which engage employees affected by these crisis regulations will receive a series of **benefits**, in particular in terms of taxes and social security contributions.

Cassa Integrazione Guadagni Straordinaria

At a glance

Notes

Who is eligible?

Ordinaria: Manual workers who are temporarily excluded from the working process, or who are placed on short-time working.

Straordinaria: Manual workers who are temporarily excluded from the working process, or who are placed on short-time working. Employees who are temporarily excluded from the working process.

Recognized grounds

Ordinaria: Temporary company crises, which cannot be blamed on either the employer or the employee, but rather on the market situation.

Straordinaria: A company, sector or regional crisis, which is recognized as such by Law 675 and makes restructuring or conversions necessary.

Payment

Ordinaria: 80 per cent of the total remuneration per working hour not worked, up to a maximum of 40 working hours per week.

Straordinaria: as for *ordinaria*.

Time limit

Ordinaria: Three consecutive months, which may be extended to twelve months in exceptional circumstances. A new application is only possible after a normal working cycle of 52 weeks.

Straordinaria: One year, in the case of regional or sector crises. No time limits are set for company crises. In the case of restructuring,

applications for extension may be submitted after the first year, in each case for a period of no more than six months. There is no limit on the number of extensions.

Responsibility

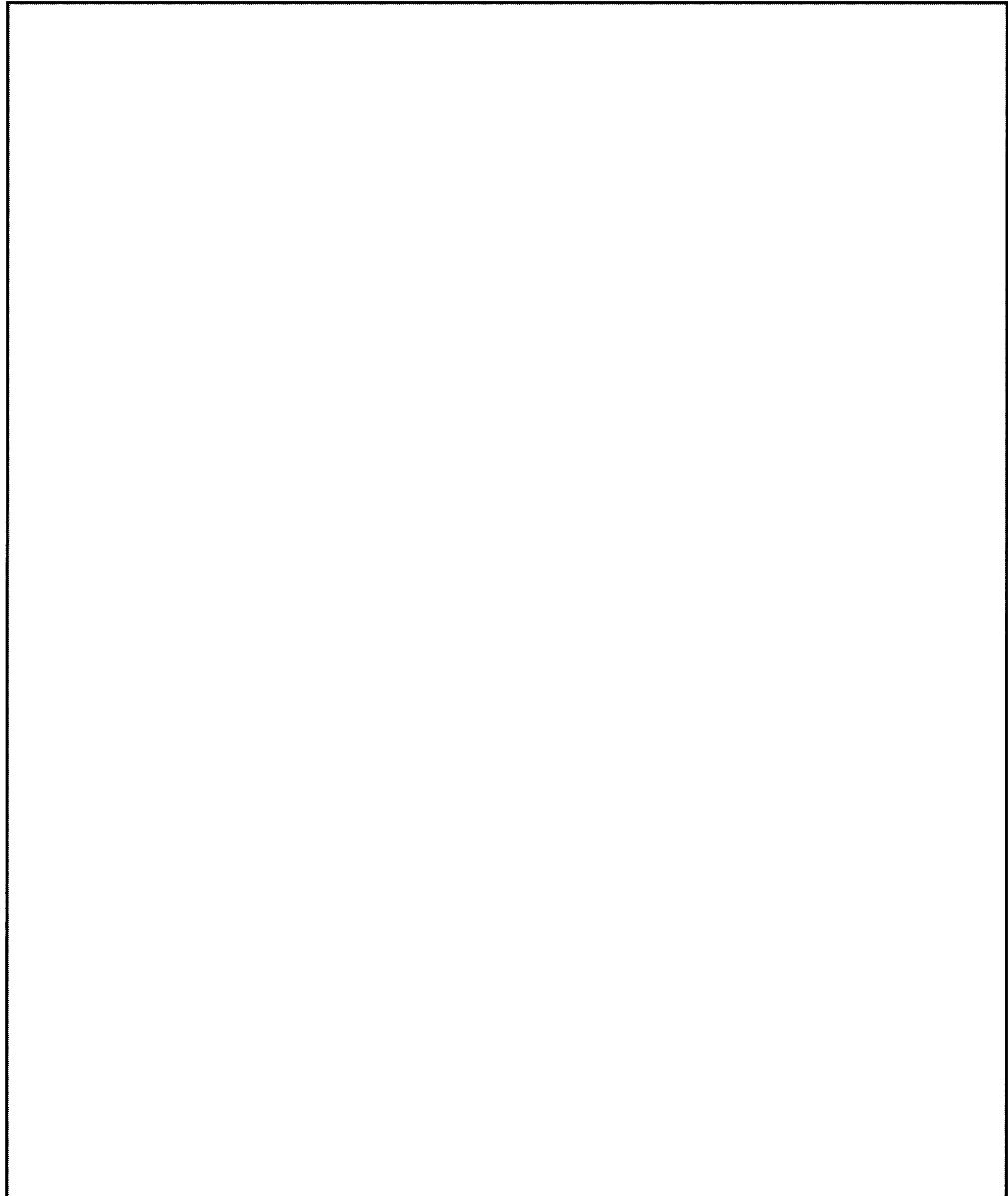
Ordinaria: Applications for not more than 13 weeks are handled by the Provincial Commission of the Employment Inspectorate. Applications for longer periods are handled by the *Comitato speciale del Lavoro* (special committee for employment), which is an agency of the Italian government.

Straordinaria: Acknowledgement of a company, sector or regional crisis and of the need for restructuring and conversion is by the *Comitato interministeriale per la programmazione industriale, CIPI* (interministerial committee for industrial planning), which reports directly to the government. Any extensions are determined through decrees issued by the Minister for Employment.

Financing

Ordinaria: Basic levy payable by companies at a rate of 1.30 per cent of the gross wages bill, and 1 per cent in the case of companies with fewer than 50 employees. A supplementary levy is payable at a rate of 8 per cent of the compensatory payment sum.

Straordinaria: Basic government levy. No supplementary levy payable by the companies is envisaged in the case of restructuring and conversion.

Notes

Model: Fondo de Promoción de Empleo

The Fondo de Promoción de Empleo (Employment Promotion Fund) is a tripartite model applied in all crisis-hit sectors in Spain with a view to creating improved conditions for early retirement, unemployment, reemployment and vocational training in order to improve opportunities in the employment market. It is closely associated with reindustrialization measures in the affected regions.

Framework conditions

The *Fondo de Promoción de Empleo* (FPE) is the Spanish model of social crisis management. It was adopted by Parliament in 1984 in the form of the *Ley 27/84 sobre Reconversión y Reindustrialización* (Law on restructuring and reindustrialization) and is applicable not only to the steel sector, but also to other crisis-hit sectors (textiles, shipyards) or those in need of fundamental reorganization ("white" electrical appliances) in conjunction with Spain's imminent accession to the European Communities.

The necessary impetus had already come from the unions and from companies and associations at the end of the 70s. The final version of the Law and its various accompanying decrees, some of which appeared before and some after, failed to meet with the agreement of the unions. And the agreement of the employers was by no means unanimous.

The Law, together with its accompanying decrees, creates general framework conditions for the restructuring of complete industrial sectors; coal was not declared to be a crisis-hit sector until the 90s and is accordingly not considered in this Chapter (*see, however, E14*). The Law also lays down the basic criteria for reindustrialization measures in the regions concerned. It stipulates:

- who determines, and under what conditions, which sector is to undergo restructuring (in the final analysis, the national government);

Spain

E6 is based on a case study by Xavier Matheu, Jaume Benavent und Josep M. Navarro.



Notes

- how the restructuring plan is developed; and
- what measures can be used to tackle the problems in the sector concerned.

These **measures** include:

- fiscal measures, such as sales tax relief;
- financial measures, such as access to sources of government finance;
- general restructuring measures;
- employee-related measures; and, finally
- the designation of zones in which there is an urgent need to introduce reindustrialization measures (*Zonas de Urgente Reindustrialización, ZUR*), because restructuring there is leading to heavy job losses.

The latter two measures, in particular the employee-related measures, are those which essentially interest us here. The ZUR Programmes amounted to little more than the classic business development activities, and are accordingly not described in any greater detail. Everyone in Spain is in unanimous agreement that the reindustrialization measures have failed by a wide margin to produce the desired results and have created only a very inadequate number of substitute jobs.

The model is described below in relation to two employment promotion funds. One of these is the *Fondo de Promoción de Empleo* (FPE) for the **integrated steelworks** sector, taking as an example ENSIDESA, the national steel company whose works are situated predominantly in the northern Spanish province of Asturias; the other is the FPE for **special steels**; in this case the example is FOARSA, similarly

located in the northern Spanish province of Cantabria.

Company and region

ENSIDESA in Asturias

Heavy industry in Spain is concentrated in the north of the country (Asturias, Cantabria and the Basque Country). The major part of the steel industry is nationalized in the form of a holding company (ENSIDESA), which in turn belongs to the government holding company INI (*Instituto Nacional de Industria*). Faced by the steel crisis and impending EC membership, the need arose to restructure and modernize this only partially competitive sector, which was accustomed to receiving export subsidies. This was not possible without massive job losses.

ENSIDESA, with its two principal locations of Avilés and Veriña (Gijón), is situated on the northern coast of Asturias. In addition to the steel industry, the province of Asturias has two other crisis-hit sectors: coal mining and shipyards. This very mountainous region, with rather more than one million people, is crossed by deep valleys and has only inadequately developed transport communication links, apart from the coast itself and the two major ports. It is dominated by the aforementioned crisis industries, and the fact that all three main sectors, providing jobs for about half of the gainfully employed population before the crisis, required simultaneous restructuring made the restructuring process central to the future of the region.

FOARSA in Cantabria

Forjas y Aceros de Reinosa SA (FOARSA) is an undertaking which produced both forgings and rolled products, and was obliged to embark on restructuring in 1986. Serious doubts surrounded the continuing economic viability, at least of the rolled products division. The continued existence of FOARSA quickly became a political hot potato, because the whole region had been exposed to a process of de-industrialization since the 1960s, and increasingly so since the mid-70s. Between 1976 and 1988 the number of people employed in industry had fallen by a quarter, with no noticeable increase in employment in any other sector. Unemployment accordingly grew from 3 to 20 per cent during the same period, with young people being affected particularly badly.

Fondos de Promoción de Empleo

According to Royal Decree 335/84, the *Fondos de Promoción de Empleo* (FPE) are “**non-profit-making associations with their own legal personality and with the status of a corporation which cooperates with the National Employment Institute**”.

Their **management** lies in the hands of a tripartite body (the so-called *Junta Directiva*; see the organization chart on the following page) consisting of **six representatives**, each appointed **for a period of two years**, of:

- the respective business federation and the companies concerned;
- the unions; and

- central government and the administration of the autonomous region.

As is evident from the aims of the fund, every “superfluous” employee can be admitted to the fund, but is not under any obligation to do so. **Admission is voluntary.** The contract of employment with the previous company is simply suspended. It is only terminated when the employee leaves the fund.

The **period spent in the fund** is restricted to three years, or to five years for employees who were already aged 55 years at the time of entry and who take early retirement.

Admission to the fund is linked to the payment into the fund of any severance pay due to the employee, or of an equivalent amount by the previous company. In the case of early departure from the fund and non-entry into the

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Aims of the FPE

(taken from the Charter of the Special Steels Fund)

1. Improvement of the protection offered in the case of unemployment and early retirement to employees affected by restructuring in the special steels area, who are admitted to the Fund, by increasing the benefits and extending the period of validity of such benefits.
2. Redeployment of employees affected by restructuring in this sector by arranging for vocational training which provides the employee with access to a new job.
3. Help towards the reemployment of the employees concerned.
4. Coordination of the procedure with the bodies appointed to manage the zones designated for urgent reindustrialization.
5. Any other type of action or measure to promote social crisis management, vocational training and/or the reemployment of employees affected by restructuring in the special steels sector.

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fund, the severance pay becomes payable topped up by an amount equivalent to the capitalization of the sums which the employee would have received if he had remained in the fund.

The measures and benefits provided by the fund can be subdivided into **three groups of individuals**, depending on the age of entry:

- **Employees aged under 55 years**, who may remain in the fund for up to three years;
- **Employees aged between 55 and 60 years**, who normally remain in the fund for up to five years (“pre-retirement”) and then take early retirement and remain in the fund as early retirees;

- **Employees aged between 60 and 65 years**, who are in the fund as early retirees.

Employees aged under 55 years

Aim: reemployment

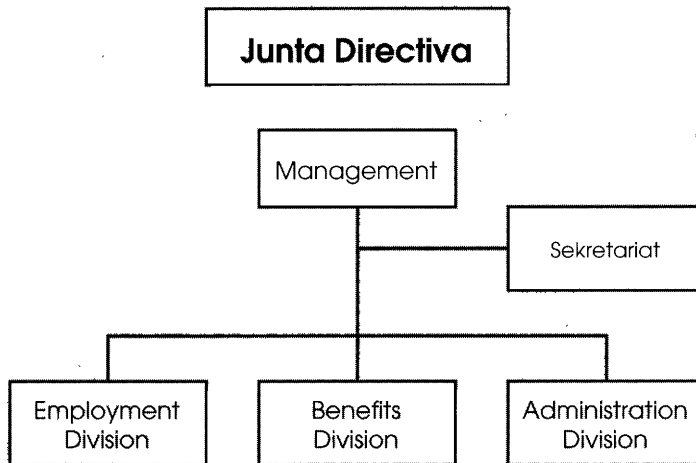
Benefits: The Labour Market Administration (*Instituto Nacional de Empleo*, INEM) pays 80 per cent of the applicable rate, depending on the level of contributions paid during the previous six months. The FPE pays allowances to top up payments to up to 80 per cent of the average gross income during the previous six months.

Social security: The INEM pays 100 per cent of the contributions based on the applicable rate. The FPE tops up, as necessary, taking as its basis the contributions paid during the last six months of employment. The level of contributions remains unchanged for the period spent in the fund.

Income tax: The FPE is responsible for paying the income tax due.

If an employee aged 52 years enters the fund and remains there until reaching his 55th birthday, because he has failed to find alternative employment, the conditions applicable to the 55-60 age group apply. In the case of FOARSA, 23 of the 209 employees aged under 52 years taken on by the fund were able to find alternative employment. The majority, 152, opted for redundancy with severance pay, and 34 left the fund for other reasons. There were only two employees aged below 55 and above 52, both of whom accepted redundancy with severance pay. No one under the age of 55 years was made redundant at ENSIDESA.

Organizational chart for an FPE



Employees aged from 55 to 60 years**Aim: Pre-retirement**

Benefits: The INEM pays benefits for the first two years, as for the previous group. From the third to the fifth year, the INEM pays 75 per cent of the minimum wage. The FPE guarantees up to 80 per cent of the gross monthly salary, index-linked to collective pay agreements in the fourth and fifth years.

Social security: The fund makes payments in accordance with standard rates, based on the notional gross salary over the period of six months before reaching the sixtieth birthday.

Income tax: Paid by the fund.

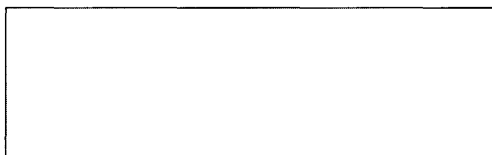
What normally happens in both funds is that the employees remain in the fund until reaching their 65th birthday and pensionable age, unless they leave the fund through invalidity or death.

Employees aged from 60 to 65 years**Aim: Early retirement**

Benefits: In this case, the social security pays 60 per cent of the gross remuneration for the previous six months in employment. This is topped-up by the FPE to up to 75 per cent of the notional gross remuneration prior to reaching the 60th birthday.

Social security: as for the previous group.

Income tax: as for the previous group.

**Reemployment**

The preceding description and the data from the funds used as examples here may give the impression that the FPEs are primarily pension funds. This has to do essentially with the groups of persons leaving the steel industry. The “employment promotion funds” were originally conceived and structured with the principal aim of providing reemployment and preparing employees for it.

This takes the form initially of individual interviews to clarify the qualifications and interests of each individual. Wherever possible, former junior and middle management executives, who are familiar with the working conditions in steel companies, were recruited for this purpose. FPE managers are also required to consult regularly with the management of the reindustrialization programme (ZUR).

There are also incentives for companies and employees to encourage them to (re-)enter the employment market:

- a fixed premium per employee for the recruiting company;
- payment of a wage and salary allowance, if the new remuneration is lower; up to 92 per cent of the previous *annual* salary, for a period of three years;
- the recruiting company receives a training or familiarization grant for new recruits;
- the FPE itself organizes further training and retraining, which it conducts itself or has conducted by companies or specialized institutes, concentrating on mechanical and electrical engineering, electronics, information technology and welding.

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Financing

A *Fondo de Promoción de Empleo* (FPE) can have access to the following sources of financing:

- contributions paid by the companies for each employee entering the fund, at the level of the severance pay due to the employees;
- voluntary contributions from those companies which are involved in the restructuring (as regulated in each case by the Charter of the FPE);
- yield from the management of the resources available to the fund;
- public subsidies from national and EC budgets; in the case of the special steels FPE, the Spanish government pays 91 per cent;
- other public contributions, and solidarity contributions paid by employees who remain employed by the companies involved.

Summary

The *Fondos de Promoción de Empleo* have emerged as the sole functioning element of the programme in the context of industrial restructuring (which does not mean that the FPEs have achieved all their aims). One highly significant factor for this relatively positive evaluation of the fund by all the parties involved is the fact that **government, business and unions have all cooperated successfully**, whereas this consensus was largely absent from the restructuring operation in general.

The “profit and loss” account is in balance:

- The *Fondos* cover all the employees of a company that is subject to restructuring and ensure their future material well-being until they receive a pension.
- This security is purchased at a very high price, however, considering that numerous inactive “employees” continue to receive virtually full pay, financed predominantly from tax and social security revenue, for up to 13 years (still 80% from age 55 to 65), and that the same applies to former executives of the company; this has given, and continues to give, rise to many bitter observations.
- Everything depends on the government. The model would be unworkable without the State administration (in Spain, this also includes the employment and social security departments) to act as a “safety net” for the social commitments that have been entered into. Remember: 91 per cent of the financing for the Special Steels FPE derive from government sources.
- The companies, on the other hand, find themselves in a comparatively “comfortable” position. If their restructuring plan is accepted, they then remit the severance pay for those employees who enter the fund: this is a mere 3 per cent in the case of the Special Steels FPE. Everything else is *de facto* a matter for the fund.
- One serious shortcoming is the failure of the supplementary measures for regional reindustrialization (ZUR), which tended to reduce the impact of the FPEs’ reemployment measures.

- Only very few FPE employees were actually brought back into employment: a mere 11 per cent in the case of the Special Steels FPE.
- It is also difficult to plan and implement vocational training measures without employment prospects. In spite of the fact that training was given priority in the context of the “FPE philosophy”, it tended to be of little importance and not very practice-oriented.

The overall conclusion is that while the *Fondo de Promoción de Empleo* model has solved the problem which it specifically addressed, in that it has coped with job losses in companies in various crisis-hit industrial sectors under acceptable social conditions for companies and employees, from a regional point of view there are **serious deficiencies** which must be attributed to the **restructuring process as a whole**.

"Altos Hornos del Mediterráneo" in Sagunto

The fact that this need not be the case can be illustrated (very briefly) by the example of another restructuring programme, known as “*reconversión*”, for the AHM integrated steelworks in **Sagunto**, located on the Mediterranean near Valencia. The whole of the liquid phase at Sagunto was closed down, the plant was merged with the state steel company, and was then operated under the name SIDMED as a “re-roller”, i.e. simply as a rolling mill for sheet and thin sheet.

Of the 4000 or so employees, only 1250 remained in the cold-rolling mill, and a few more in administration and maintenance functions, etc. Around 2500 employees lost their jobs. Almost half of these were aged under 55 years and thus needed a new job.

The *Fondo de Promoción de Empleo*, which was established in April 1984, basically had the same aim as those described above, and there was scarcely any difference in their function. The comments relating directly to those funds also apply in this case, including in the ‘Summary’ section. It is nevertheless worthy of note that the 500 or so employees of firms which were dependent on the existence of the smelting plant were admitted into the fund from the end of the same year at the initiative of the unions, which initially adopted a highly confrontational approach in Sagunto.

A start had already been made, before the liquid phase at Sagunto was closed down, on the acquisition of new businesses and on the rapid redevelopment of the old industrial sites. By the end of 1983, at a time when “ZUR” did not even exist, Sagunto was already operating a reindustrialization programme worthy of the name. Only two years later, 77 new businesses had moved onto the site previously occupied by the steelworks and the adjacent land, or had entered into occupancy contracts. The two largest, an Italian glass manufacturer and a Spanish fertilizer factory, employed 432 and 250 persons respectively. A total of 2216 people found work, including all the 1152 ex-steelworkers from AHM for whom new jobs were needed.

Not only the numbers are impressive. Just as remarkable is the fact that companies with

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This part dealing with Sagunto is based on my own inquiries and was not part of the case study (HWF)

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process production were attracted to the area in the form of the two largest of the new companies, with the result that the ex-steelworkers, who tended to be unskilled and semi-skilled workers difficult to integrate into other businesses, did not prove to be such a problem after all.

This brief report on a successful restructuring operation would be incomplete if it were not to mention that one of the outcomes in the surviving SIDMED rolling mill was the phenomenon “Crisis management from own re-

sources” (E20), which was of relevance to later phases of the steel crisis. With the active involvement of both unions, a comprehensive reform of the work organization and pay structures was initiated, extending to less differentiated, integrated working systems and the more strongly quality-oriented forms of work and training, which created a solid basis for SIDMED’s ability to compete and survive.

For a further interesting example of a Spanish restructuring process, please refer to the case of CARBONES DE BERGA (E15).

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Model: Begeleidings- dienst Limburgs Mijng gebied

The Support Service for the Limburg mining area provides particular help for the problem groups amongst the former miners in the province - workers with poor qualifications and without Belgian nationality - from the time they leave the coal mining sector to the time they accept a new job, or through unemployment. It offers advice, makes contact with potential new employers, and provides training for new jobs.

The Province of Limburg

The province of Limburg is in the northeast of Belgium and borders on the Dutch province of the same name. It has around 750 000 inhabitants today, three times the population of the province before mining commenced after the First World War. Large numbers of workers were attracted here from other countries in

several waves: from Eastern Europe before the Second World War, and from Southern Europe after the war, and later still workers from Turkey and Morocco. Apart from mining, the predominant branches of industry (construction, automobiles, chemicals, metals) are typically male. There are also many jobs in the service sector, of course, although these fall far short of the demand.

As a result, the province struggled during the eighties with unemployment of 16 per cent, which particularly affected women and young people from large immigrant families.

Briefly, then, this was the situation in 1984, the year in which the Belgian Parliament decided that it was not the national government, but rather the regional governments, that had to make good the major losses incurred by the mining sector that had been nationalized in 1967. The Flemish government had no choice but to close the remaining five pits with their workforce of 19 000 (1960: 38 000) and to embark on a fundamental restructuring of the coalfield.

Belgium

E7 is based on a case study by Martine Wouters, Lieven Denolf and Eline Staelens



Notes**Closure of all pits**

In order to avoid serious social conflicts, such as those which had arisen during the pit closures of the 1960s - when the army was sent in and two people lost their lives - the government took two fundamental decisions:

1. No one should be dismissed.
2. Job reductions should be handled by an experienced private-sector manager.

A sum of BFR 100 billion was made available to this manager, who recommended closure of the pits in two phases. This covered the operating losses of all the pits during the closure process, the job reductions and the social support and restructuring measures.

The first phase involved the eastern pits from 1987 onwards. Miners were able to take early retirement or invalidity pension, where appropriate, to accept a generous redundancy payment and look for alternative employment, or to work at the remaining pits. The same offer was made to the miners in the western pits from 1989 onwards, although transfers were then no longer possible. 7 250 miners (approx. 43%) opted for one of the forms of pension, and 8 800 (approx. 52%) accepted a "golden handshake" and made themselves available for employment. The remaining five per cent left the pits through natural fluctuation.

Restructuring the region

Alongside this process of massive job reductions in the coal mining sector, the decision was also taken to embark on a programme of restructuring and expanding the economy of the region, which was signed and sealed in the

spring of 1987 in the form of the "Contract for the Future" between the Flemish government, the national government, the local authorities in the province of Limburg and the European Communities. All parties to the contract gave an undertaking, but without making any financial commitment, to work towards the creation of economic and employment market conditions in Limburg comparable to those in the other parts of Flanders within a maximum period of ten years, through:

- Promotion of employment in both the private and the public sector;
- Reduction in unemployment to the average Flemish level;
- Improvement of training and educational facilities to reach a broad section of the population, with particular reference to those affected directly or indirectly by pit closures, in order to achieve the average Flemish level in this area too;
- Introduction of wide-ranging restructuring measures, with particular reference to the former mining communities.

Coordination of all measures under the Contract for the Future was the responsibility of a Standing Limburg Committee within the Flemish government.

Support Service for problem groups

The Support Service for the Limburg Mining Area (BLM) was established towards the end of 1988 during the first closure phase at the request of the ECSC Support Committee, in

order to help all those miners who had not found new jobs. The Committee had observed that, whereas most miners found new employment relatively quickly, with or without training, a comparatively large minority of poorly qualified and non-Belgian ex-miners were experiencing major reintegration problems.

This observation was confirmed in 1990 in a study conducted by the Catholic University of Louvain, according to which 70 per cent of the former miners who were looking for work were able to find regular employment within the region, half of them after further training or retraining. Whoever had participated in an internal or external training course (more than three quarters) found it easier to find work. Attempts to facilitate the reemployment of Turkish ex-miners, on the other hand, were not at all successful. More than half did not participate in the training programmes. Fewer than 20 per cent found work again, and more than half of these were in short-term jobs. Italian ex-miners, on the other hand, were able to find work with more or less the same degree of success as their Belgian counterparts, although limited-duration jobs were more common here.

Although the BLM was initially required only to provide assistance **in association with the Labour Market Administration**, the scope of its responsibilities was extended at the end of 1989 to include training and employment measures for specific problem groups. This was not only a reaction to the situation of the predominantly non-Belgian ex-miners, but an answer also had to be found to the problem of relatively high unemployment predominantly amongst non-Belgian young people who would proba-

bly have gone into mining under normal circumstances.

There are three top-priority **target groups for the Support Service**:

- Children of immigrant workers, mainly Turks and Moroccans, often with a problematical educational or training background or integration problems.
- Persons with no claim to benefits under the unemployment insurance system (a surprising 30 per cent of all those helped by the BLM), mainly immigrant workers who, under family reunification arrangements, have arrived in Belgium only a short time before and often do not yet speak Dutch or have only an inadequate command of the language.
- Former miners, generally with low vocational qualifications, who may have, on occasions repeatedly, participated in training schemes arranged by their company as a part of the redundancy process, and yet still belong to the hard core of the long-term unemployed.

By the end of 1992, 1 321 persons had been registered with and advised by the BLM (a further 1 428 persons had participated in training programmes; *see below*). Of these, 55 per cent were former miners who originated predominantly (80%) from one of the five former mining communities. 60 per cent of the ex-miners were immigrants, and 40 per cent were of Belgian origin. Turkish workers form the strongest group, at 32 per cent, followed by Italians (15%), Moroccans (9%), and a small group (4%) of workers from various other EC

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Member States. 18 per cent of participants were aged below 25 years, almost half (48%) were aged between 25 and 35, and 34 per cent were older than 35.

Tailor-made support

The Limburg Support Service undertakes to provide each person with a tailor-made set of measures enabling that person to find stable employment. Three aspects are to the forefront:

1. Consideration in each case for the specific personal circumstances of those seeking employment, but also for the highly varied needs of potential employers;
2. Development of a trusting relationship with the person receiving support and with the prospective employer;
3. Collection of detailed employment data on applicants, where such data are available from social security and other departments, and data relating to companies which may be considered as future employers.

Closer examination reveals seven separate approaches which make these high demands practical.

- **Analysis of target group**

An analysis of the former miners and young people for whom a job appropriate to their particular situation has to be found. The situation in each case is assessed in relation to a fixed set of criteria containing factors such as physical or psychological impairment, special problems associated with particular nationalities or age groups, lack of varied work experience or training, etc.

Target groups can be defined more precisely in this way. Colour-coding of the collected data also permits geographical clusters of problems to be identified in terms of districts and villages, etc., enabling advice to be given with reference to local social facilities (e.g. schools, vocational training centres, and initiatives for ethnic minorities).

- **Personal approach to the unemployed**

In order to be able to provide individual advice, all the necessary data are collected in the course of a personal interview. In addition to data relating to general and vocational qualifications, this extends to the financial situation, language skills, cultural differences and individual interests, etc.

- **Diagnosis of the individual's problem**

These data are then taken as the basis for an individual diagnosis according to social and productivity criteria, followed by an interview with the person concerned, at which a strategy is formulated. Depending on the diagnosis, the recommendation may be for direct placement or prior training or a general or job-related "period of initiation" to a company.

- **Training as an initial step and a "foot in the door"**

If a placement is feasible, the practical arrangements will depend on whether account needs to be taken of social and/or productivity considerations. The approach should be geared to overcoming or avoiding

problems. Any necessary training is accordingly identified, and advice given.

- **Contact with the subsequent employer**

Firms which may be able to offer jobs are approached. It is not unusual for “hidden” employment opportunities to be discovered in the course of such initially explorative discussions about the business (products, services, possible assistance, business climate and working conditions, etc.). At the same time, the nature of the support services that could be provided by the BLM, and the available training facilities, are explained to a potential employer, with whom constant personal contact is maintained.

- **Placement and settlement**

Data of this kind are utilized in discussions with jobseekers as the basis for selecting and approaching an employer (sector, firm, kind of activity), and for arranging an initial placement interview. The personal consultant attends this interview as an intermediary/adviser. If an offer of employment results, any necessary support measures (of a professional or private nature) are planned and agreed jointly.

- **Follow-up investigations**

This agreement then serves as the basis for follow-up investigations, designed initially to verify mutual compliance with the contract. Further data relating to the company and to experience gained from the induction process may be collected, so that more data are accumulated with time and placement success becomes more likely.

Tailor-made training

Here too, an integrated “tailor-made” concept developed by the Support Service is adhered to, which combines person- and employer-specific course content with a varied and flexible approach to teaching methods.

The BLM training centres provide mainly preparatory and introductory courses for the metalworking and construction trades. Experience with former miners has revealed that metalworking companies in the province of Limburg still have considerable employment reserves. The courses have also been well received by the target groups. Those with technical building trade skills have a good chance of placement, because miners’ housing in Limburg requires modernization as a part of the restructuring of the region, and extensive new construction projects are imminent. As a result, construction firms have a considerable additional need for labour.

The BLM also organizes special courses for recruiting companies geared to their needs and circumstances. Project-oriented forms of placement are used here, as elsewhere.

Although the support and advisory service was only envisaged in the stricter sense as offering help for men, the training programmes (for 1990-92) also took in a number of women (6%, out of 1 428). Only 20 per cent were former miners. Most participants were young people aged under 30 (73%) with a relatively low level of general education, and almost one third had no school leaving certificate. The bulk of participants (68%) were immigrant workers from non-EC countries (51% Turks),

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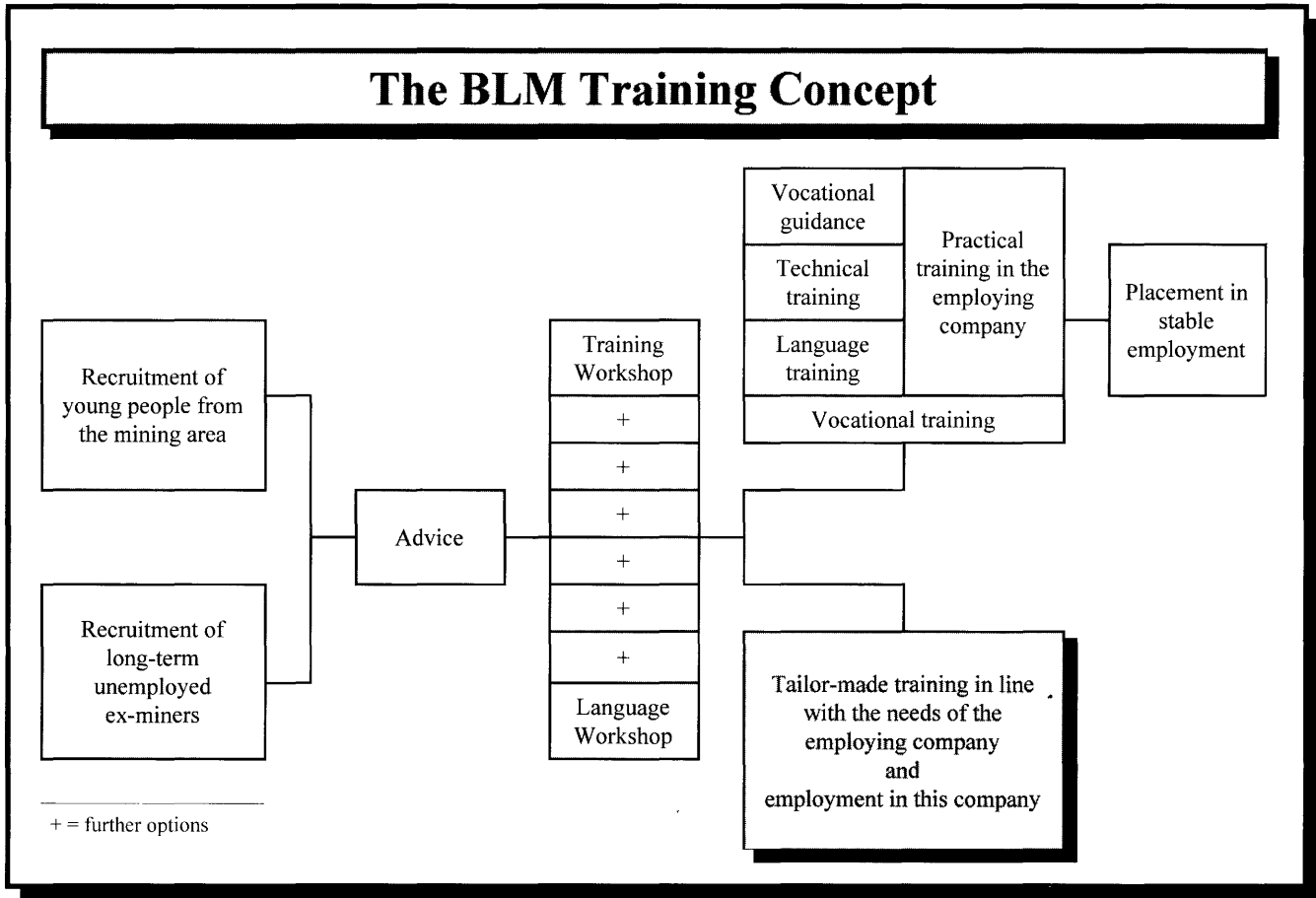
and just less than a quarter (23%) were Belgians. The majority (70%) had been unemployed for less than a year.

In terms of training too, there are seven separate aspects:

- **Recruitment and “catchment”**

Experience shows that the target groups often find it difficult to find and approach

the training and educational organizations appropriate to their needs. The Support Service has accordingly developed a recruitment and “catchment” strategy, whereby the liaison officers play a major role with a bridging function. These persons enjoy the confidence of the target group and are able to visit them and contact them and, to a certain degree, to “catch” them in the



surroundings with which they are familiar: allotments, sports clubs, neighbourhood initiatives and recreational activities, etc.

● **Advice and guidance**

Advice and guidance are seen as a continuous process of matching the needs and opportunities of the employment market on the one hand and of the trainee on the other.

● **Programme development**

The training programmes are modular in design and were developed according to the principle of integrated quality control. Tailoring them individually to the trainee in this way is regarded as essential for gaining the interest and commitment of the trainee, for strengthening his sense of personal responsibility, and for monitoring the success or otherwise of the learning process.

● **Language as a working language**

The learning of the Dutch language and the appropriate technical terminology by immigrants is preceded by a survey of general and company-specific language requirements. Language courses are based on NT2 principles (Dutch as a second language), incorporating self-evaluation methods.

● **Attitudes to work**

The possession of appropriate attitudes to work is a crucial factor in finding and keeping a job. Trainees are actively counselled to this end, therefore, both on training courses and during practical learning phases. This has been found to be very time-consuming and staff-intensive.

● **Practical training phases**

It is necessary for part of the training to be provided in the future company and, if possible, at the future workplace, precisely because of the importance of motivation and attitude and because of any necessary changes to the organization of work. These are based on a trilateral agreement between the trainee, the firm and the BLM, and on three criteria:

- They should alternate with periods of classroom learning;
- The principle should not be that of learning by doing but that of working while learning, i.e. work as a part of a learning process and not vice versa; and
- There should be an initial commitment on the part of the future employer.

● **Subsequent investigations**

The recruitment and “catchment” network continues to function after the course has ended. The status of each person on the employment market and the employment situation within each company continue to be monitored. In the event of further unemployment or a weakening of the job market situation, new “paths” are mapped out by the Support Service on the basis of constantly updated databases with a view to finding an improved position, new qualifications and alternative employers.

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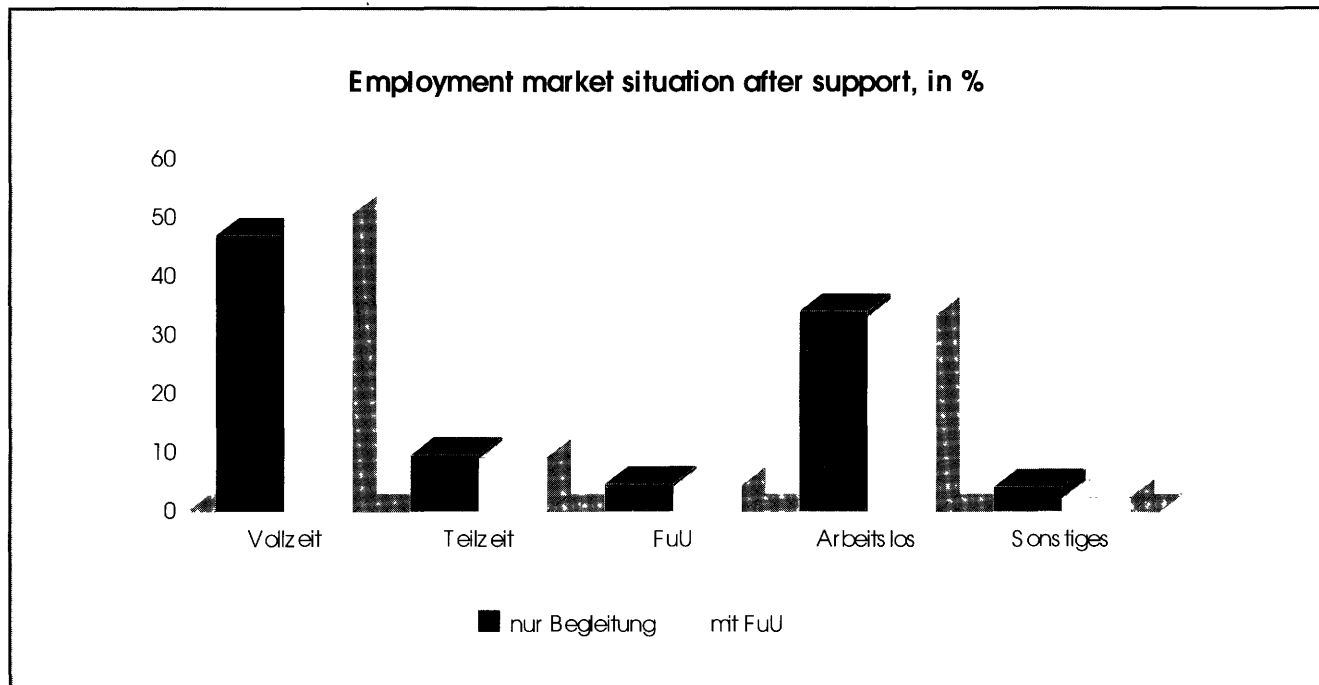
European, national, regional and local authority funding were used to finance these activities.

European funding (*see A2*) came on the one hand from the ECSC, since former miners were amongst the recipients; it was also provided under the RECHAR programme, whose aim was to promote the restructuring of former coal mining areas. The fact that the province of Limburg was classified as an Objective 2 area entitled the BLM to apply for and receive funding from the EC Social Fund and the Framework Promotion Programme for the vocational training measures.

Co-financing of the EC funds came from the national budget and from the budget of the Flemish government. An association for social investment by the province of Limburg also contributed to the BLM's range of resources. In addition, the local authorities provided considerable support, which is a prior condition for the application of European and national funds.

Results

The Support Service model is characterized by a very high degree of individual care and attention. It is thus natural to ask whether this is reflected in the results. The only truly measur-



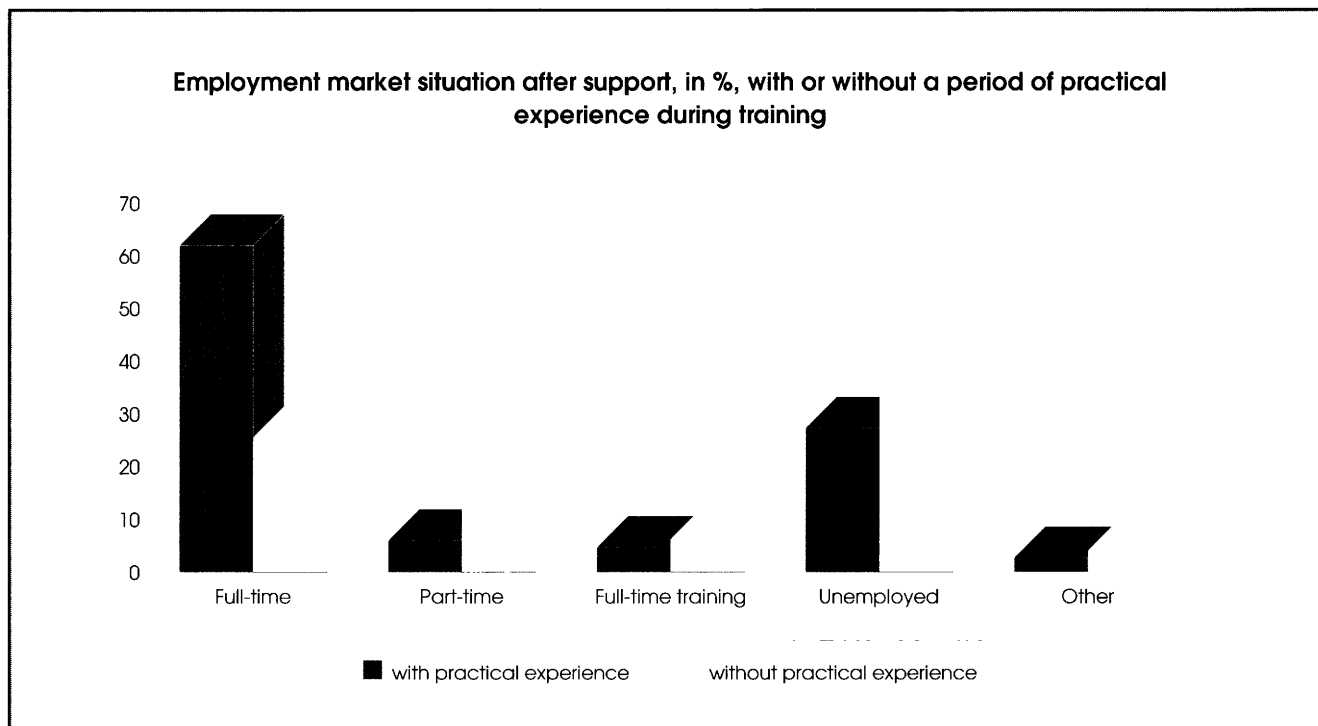
able results are those which are strictly relevant to the employment market. They are presented here in a highly summarized form. The various framework conditions in each regional employment market make any comparison very difficult. It is nevertheless possible to say that the BLM has been successful, albeit without making a direct numerical comparison. It has brought about a considerable **improvement in the chances on the employment market.** The job placement rate, especially following appropriate training, is above average, matched only, as a general rule, by equally intensive support

models. This is particularly true given that the proportion of immigrant workers from non-EC countries is very high.

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Nevertheless, almost 57 per cent of the persons advised by the BLM were helped to find full-time or part-time employment (47.1% and 9.7% respectively). A further 4.8 per cent opted for full-time training. 34 per cent remained unemployed

The post-training figures are slightly more positive: 60 per cent of participants obtained full-time or part-time employment (56.2% and 9.2% respectively). Further training was



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taken by 4.4 per cent. Precisely one third remained unemployed.

The training measures have been supplemented increasingly since 1992 by periods of practical experience and, in part, by full-scale apprenticeship schemes. In the case of *trainees* who had taken part in a practical scheme, both the overall rates of placement and placement in full-time employment rose significantly, and considerably fewer people subsequently remained unemployed (*see chart on page 9*).

Looking at a breakdown of the employment market situation by nationalities after help from the Support Service is also informative. Belgians and Italians had relatively good chances of finding full-time or part-time employment (almost 60%). Around 30 per cent remained unemployed. Almost half the Turks and Moroccans remained unemployed, on the other hand, and employment (full-time or part-time) was found by between 40 per cent (Moroccans) and 45 per cent (Turks).

The situation was much more positive, however, after a training course. The placement rate was ten per cent higher on average. Here again, Belgian workers were well ahead with a placement rate of more than 70 per cent. Nevertheless, the chances for Turkish and Moroccan workers of finding full-time or part-time employment rose to above 50 per cent, with corresponding falls in the unemployment rates. This is explained by the low level of qualification of most participants, but it also tells us something of the quality of the help and training provided by the BLM.

Summary

All providers of social services in the region were in agreement that the situation resulting from the pit closures required considerable effort to alleviate the social consequences for the workers and for the region as a whole. The Support Service was able to perform tasks which the regular Labour Market Administration would have been unable to perform, or at least not with the same funds and with the same social-policy expertise. This is particularly true of the highly individualized approach and support, and of the intensive methods used in conjunction with the training measures.

No consensus was reached, at least initially, on who should receive help from the Support Service: should this be exclusively miners, and possibly only the poorly qualified miners, or should it also include the predominantly young immigrants? Only in retrospect has it become apparent that the broad definition was what was needed to soften the blow.

The demarcation line between the BLM and the Labour Market Administration seems to have been a constant cause of friction. In the course of BLM's work, though, there has evidently been a growing feeling that valuable and useful work was being done here, which would benefit from expansion. The restructuring of the region can in no way be said to be complete.

There are financial problems, however. The dependence on a large number of sources of finance is not just a structural problem, but will gradually become a matter of survival as support funds dry up or the aims of the support work change.

Model: British Coal Enterprise

British Coal Enterprise was established in 1984, exclusively for the purpose of creating new jobs in coal mining areas.

Production and employment in the British Coal Mining industry have been in decline for almost 80 years. Annual production peaked in 1913, at 292 million tonnes. Lower consumption, increased imports of cheaper coal and competition from alternative sources of energy, in particular gas, have led to drastic cut-backs in conjunction with major gains in productivity through the increased use of advanced technology. Since 1979/80 alone, the number of pits has fallen from 219 to 44, and the number of employees from 232 000 to 50 000 (in 1992). At the same time, productivity (i.e. output per man-shift) increased almost three-fold. The privatisation of coal is the declared objective of the Conservative government. Further closures are planned.

Social cushioning

Social cushioning to cope with the dramatic decline in employment in the mining industry has taken various forms of the kind already familiar with other countries (*see E11*) and sectors (*E12 and E9*).

RMPS for redundant miners

For many years, miners enjoyed redundancy terms under the Redundant Mineworkers' Payment Scheme (RMPS) which were generous compared to what was available in other industries. The terms were, however, revised at the end of the 1980s, and since 1 January 1990 three weeks' pay per year of service is offered, up to a maximum of £300 for a week's pay and 30 years' service. These terms (which include any statutory entitlement) provide a maximum payment of £27 000. In addition there is a lump sum which is related to age, ranging from £2 500 from age 21 years to £10 000 for those over 30 years. There are also entitlements to concessionary fuel (or the option of taking a lump sum) for those over 50 years.

Voluntary early retirement scheme

A scheme has operated to provide a lump sum and benefits for employees over 60 who retire early. The scheme has, however, had limited use because the provisions have generally been inferior to the redundancy terms and it is now being phased out.

Transfer payments and allowances

Assistance is given to mineworkers transferred to another colliery in the form of a lump sum payment on taking up employment and subsequent payments paid after six months, 12 months and 24 months. The maximum payable in total is £5 000.

Further payments can be made to assist with such costs as household removal, house sale, rent increases, and lodging.

United Kingdom

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Helping Create Jobs

E8 is based on a case study by William Rees and Barry Thomas

Notizen

These forms of financial assistance have played an important role in securing the cooperation of mineworkers in the restructuring exercise. For those who have taken redundancy rather than transfer - and this is the majority - the measures have softened the impact of redundancy though they do nothing to provide alternative employment. That is the role of British Coal Enterprise.

British Coal Enterprise (BCE)

Background

BCE was set up in 1984 to assist in the creation of alternative job opportunities in coal mining areas. It was an initiative taken by British Coal and central government (the Department of Energy at that time), without any union involvement. Indeed, it was set up at a time when relations between the unions and the coal in-

FOR BUSINESS SUPPORT AND JOB CREATION



YOU CAN'T BEAT B.C.E.

Objectives

- The prime objective of British Coal Enterprise is to support the economic regeneration and diversification of the UK coalfields. **It aims to create jobs outside the coal industry but within the coalfield areas.**
- The emphasis is on the economic prosperity of the local community as a whole and although there is a concern to help former British Coal workers this is not an exclusive concern. Support may be given to a wider range of enterprises which generate jobs, regardless of whether those involved in setting up the business have had any connection with the coal industry, or whether the jobs would be suitable for ex-miners.
- Some of the concern, initially at least, was to target **young people** who grew up in mining communities believing that their future lay directly or indirectly with coal, and who then discovered that their employment opportunities were reduced following the changes in the industry. A priority concern was to find them work and **keep them in the region.**
- To begin with, BCE set itself an extraordinarily ambitious target: to replace **all** of the jobs lost in the mining industry by alternative opportunities within five or six years. The target was later changed to helping to create **10 000 jobs in 10 years** from October 1984.

dustry were particularly difficult - the timing of the announcement of the proposed creation of BCE, August 1984, was in the middle of a dispute over pit closures between British Coal and the National Union of Mineworkers, which was one of the most significant in the whole of

British industrial relations history. This was a sensitive time and there was a sceptical view held by some mineworkers that the formation of BCE was simply a symbolic gesture which was designed to weaken the strike and take some heat out of the dispute.

It began on a modest scale with a limited budget of five million pounds. It has however survived and grown considerably in the scale of its operations as well as extending the range of its activities. The nature and results of the BCE's activities have shown that longer-term efforts should indeed be made to create jobs to replace those lost in mining.

Instruments

BCE aims to generate jobs by attracting new business to coalfield areas and by supporting businesses starting up, relocating or expanding there. This it does as follows:

- **financial support** in the form of loans and equity finance;
- **letting of business facilities** for small and medium-sized units, **advice** and centralised facilities;
- support for **local enterprise agencies**;
- **outplacement**: assistance to find a job and
- **training**.

Financial support

Financial support is available to any business starting up, expanding or moving into a coal field area which will create permanent jobs which do not displace jobs already in place with

other businesses in the area. The businesses do not have to be started up or run by ex-miners and the jobs created do not necessarily have to be suitable for ex-miners. Although emphasis is given to manufacturing enterprises, service industries are also eligible. The following **options** are available:

Loans

- between £1000 and £1 million
- normally for a period of up to five years
- low rates of interest, especially in the early years
- loans up to £25 000 do not normally require security

Equity

- between £20 000 and £250 000
- various types of preference shares
- ordinary shares where appropriate

The offer of support is conditional on jobs being created and the size of the loan is directly related to this - up to £5000 for each projected new job can be provided by BCE. Applications for assistance are subjected to careful scrutiny of the business plans. BCE will provide up to 25 per cent of the funding requirement, but it is prepared to support projects which it deems financially viable which cannot get support from elsewhere. The BCE finance is intended to serve as a catalyst to attract other funds.

Managed workspace

BCE is involved in the creation and support of managed workshops and small business units. BCE has access to an enormous fund of ex-colliery buildings, and in some cases, existing

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MANAGED WORKSPACE



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BUSINESS FUNDING



buildings belonging to other firms can also be used. These are converted into small business units. BCE has also been involved, often with other agencies, in the construction of new property.

BCE can also offer **counselling and service facilities:**

- shared basic facilities such as reception, fax, telephones and security;
- realistic rents on an "easy-in, easy-out" basis (i.e. rapid access to the premises and leases which can be cancelled on one month's notice);
- frequently, a manager to give advice.

These features mean that **new businesses are not faced with high capital outlays** and basic office services do not get committed to long leases.

BCE will also help companies to find accommodation outside its management but within coalfield areas.

Support for Local Enterprise Agencies

As part of the concern with the overall state of the local economy and the desire to promote the creation of new jobs generally, BCE fosters links with various other agencies which seek to stimulate the regeneration of coal mining areas. These include local government, regional offices of national government departments, Chambers of Commerce, Training and Enterprise Councils and others.

The most important from BCE's point of view are the Local Enterprise Agencies. These

are not-for-profit partnerships in which, together with banks, large firms in the locality, and others, BCE plays a direct part and gives financial support. The agencies give business advice to firms which are considering starting up or expanding in coal mining areas.

Outplacement

In addition to the support for business, BCE also operates a scheme to help individual former British Coal employees. BCE operates the Job and Career Change Scheme (JACCS) on behalf of British Coal. Whenever a pit closure or reduction in the number of jobs is announced, BCE sets up a counselling and outplacement service known as a Jobshop. Each British Coal employee who receives notice of redundancy is invited to attend the Jobshop where they are offered advice on how to come to terms with redundancy and how to search for jobs and how to present themselves well. (This involves such things as letter writing skills and interview techniques.)

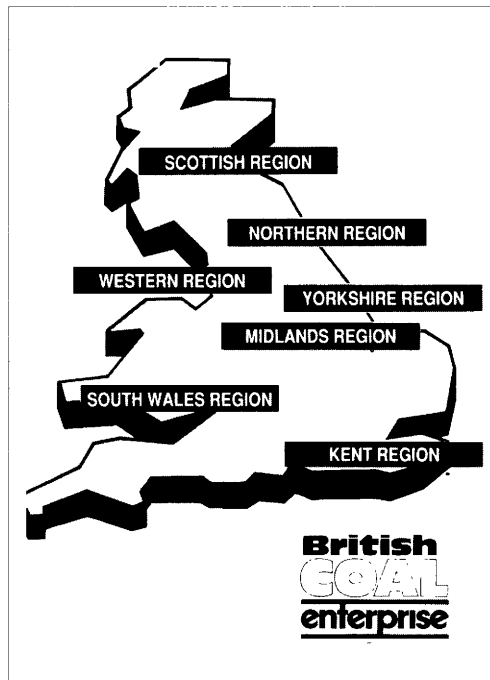
The principle aim of JACCS is to get employees into new jobs which are commensurate with their existing skills. This involves analysing the skills a worker already has and surveying the local labour market which seek jobs to match them. Where there is a mismatch of skills and opportunities, training is provided.

Some former British Coal employees are encouraged to move into self-employment. Advice on preparing business plans and obtaining finance is given. In some cases, application is made to BCE itself for financial support. Other clients are offered places on pre-retirement courses.

Training

Where training is provided this may be the adaptation of existing skills to new circumstances of the acquisition of new skills. The training can be with the new employer or with a training establishment. Assistance through Jobshops or New Career Centres needs to be taken up within six months of the date of redundancy.

The emphasis is on short periods of training provided in whatever manner the Jobshop counsellor deems to be the most appropriate and cost-effective. No maximum level of funding is specified, but the normal level does not exceed £5000.



BCE has set up its own training centres for welding and electrical skills. These skills were identified by BCE as being in short supply and there has been close collaboration between these training centres and industrial training organisations. Further training courses are now being developed in skills such as engineering maintenance and security system installation.

In order to gain experience and develop products, the outplacement services are now being sold on a commercial basis to other employers who are contracting their workforces or who are involved in career counselling and training.

Organisation

BCE is a wholly owned subsidiary of British Coal. It is a **national organisation but is operated on a regional basis**. The organisation chart shows some 60 posts centrally and some 275 in the regions (though many of the latter are temporary and self-employed counsellors/consultants). The strong regional structure reflects the fact that the problems of economic regeneration arising from the run-down of the coal industry are concentrated in particular areas and **local knowledge is valuable as the particular labour market circumstances may differ from one area to another**.

The Board comprises the Chairman, the Chief Executive, two executive directors and seven non-executive directors. The non-executive directors in practice have virtually all been people with a close direct association with the coal industry, either in British Coal or the mining unions. It should be noted, however,

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OUTPLACEMENT**



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SKILLS TRAINING



that relations between the National Union of Mineworkers and British Coal have been strained since the 1984/85 dispute and the national union has not had any formal links with BCE. At local level, however, some cooperation has taken place.

Achievements*

British Coal Enterprise claims impressive results. The figures given here describe BCE's achievements over the period since its formation in the Autumn of 1984 until March 1992.

Expenditure	in £
Business funding	38757
Managed workspace	11228
Outplacement	26362
Total	76 347

Financial support in £	Percentage of assisted projects
Less than 5,000	32
5,001 - 10,000	23
10,001 - 15,000	17
15,001 - 50,000	21
50,001 - 100,000	4
100,001 - 250,000	2
more than 250,000	less than 1

Business funding

The business funding programme is expected to generate about 39 000 jobs. Some 32 000 have already been created and about a further 7 000 are expected from the present funding.

Business funding British Coal Enterprise (as at March 1992)	
Number of projects	3331
Jobs in place	31 969
expected with no further funding	6 788
Total expected (a)	38 757
Loans (b)	£ 70 million
Investment cost per expected job	£ 1.806
Investment cost per actual job	£ 1.986
Revenue cost (c)	£ 45,7 Mio
Revenue cost per expected job	£ 1.180
Revenue cost per actual job	£ 1.430
<small>(a) Includes £922 from equity participation (b) £63.6 million advanced, and £6.4 million committed (including £1.6 million equity participation) (c) Includes support for Local Enterprise Agencies</small>	

* No other model features results to this degree of detail. The reason for this is not just that this manual is concerned more with methods than with success stories; it would also indirectly suggest that the results of the various models can be compared with one another. Nor is this manual the right place to assess whether such data are or are not realistic. Nevertheless, it should be shown what is possible to do. HWF

Managed workspace			
Managed workspace	Sites	Units	Jobs
In operation	100	2774	9633
Under construction	6	71	428
Planned/agreed	3	3	60
Subtotal	109	2848	10121
+ jobs from businesses which have moved on			1107
Total	109	2848	11228
Investment			£ million
Gross investment			174
less grants			15
Subtotal			159
Committed			3.8
Not yet approved			0.8
Total			20.5
Investment cost per job			£
Investment cost per expected job			1 959(a)
Investment cost per actual job			1 620(b)
Investment cost per expected job net of rental income and grants			519
(a) Gross investment plus committed expenditure plus not yet approved grants divided by 11 228 jobs			
(b) Gross investment divided by 10 740 jobs (i.e. 9 633 in operation plus 1 107 in business which has moved on)			

About £70 million has been used or committed on some 3 300 projects. These are mainly for new businesses starting up (51%) and for expansions of existing business (45%). A very small proportion of projects (4%) come from outside the area. About 51% of the projects are in manufacturing industry, and the rest in a variety of industries.

The financial support is mainly in the form of business loans - only £1.6 million has been used for equity participation as this is still a very new initiative. Assistance has predominantly been given to small and medium-sized enterprises. The average size of loan has been about £21 000.

The investment cost per job expected is about £1 800. This is considerably less than the guideline figure of £5 000 which is a critical factor in determining whether to make a loan.

Administrative costs amount to £45.7 million, or £1 180 per job expected.

The central government provides a loan facility via British Coal for business and workspace funding. Net revenue operating expenditure is reimbursed by British Coal.

The loans that are made to business are repaid, and £31. 4 million had been repaid by the end of March 1992.

Managed workspace

The managed workspace programme is expected to generate about 11 200 jobs: about 10 700 have already been created and a further 500 or so are expected. One hundred sites comprising almost 2 800 units (with 3.5 jobs per unit) are currently in operation. This is the

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Notes

Outplacement	
Workers resettled:	Number
Into self-employment without training	1502
Into employment without training	12966
Into employment after training	11894
Total	26362
of which JACCS	24664
external	1 698
Cost	£
Cost of JACCS	24 million
Cost per resettled worker under JACCS	1 .006

product of gross investment of £17.4 million which gives a cost per expected job of almost £2 000, though net of rental income and grants this reduces to £519.

Outplacement and training

Over 26 000 workers have been resettled under the job search and training schemes. About 94% of these were resettled under the internal outplacement scheme (JACCS) for former British Coal Employees and about 6% under the newer commercially operated external outplacement schemes for other organisations. The total costs of the JACCS scheme have been £24.8 million, which gives a cost per head of resettling former British Coal Employees of about £1 000 per head.

Notes

Model: ISERBS Scheme for steelworkers

ISERBS is a package of social adjustment measures for steelworkers, featuring the classic instruments from the ECSC tool kit, such as early retirement, compensatory payments, training and tide-over allowances until other employment is found or until the worker can set up in business on his own.

In terms of social repercussions, the British steel industry has undergone by far the most radical structural change of any national steel industry in the European Community. In the last boom year (1991), crude steel production capacity was 20 per cent down on the boom year of 1974, with actual crude steel production down 27 per cent and **employment reduced to less than a quarter.**

Iron and Steel Employees Readaptation Benefits Scheme

The first ISERBS statutory instrument was promulgated in 1974 (a year after the UK's accession to the European Community) as ECSC delegated legislation (*see A2, p.2*) and has been periodically updated in accordance

with the bilateral agreements between the Commission and the national governments (*see A2*). The European Community initially made a contribution of between 40 and 50 per cent of ECSC funds, but since the end of the eighties the UK government has had to come up with at least 80 per cent of the funds itself. The scheme is run by the Department of Trade and Industry (DTI).

United Kingdom

I.S.E.R.B.S.

I.S.E.R.B.S. Objectives

are to provide:

- the greatest possible incentive to redundant steel workers (men under 55 in particular) to seek alternative employment;
- the further training and retraining to help redundant workers acquire new skills;
- assistance for the older workers (i.e. particularly men over 55) who, through no fault of their own, find it impossible to obtain alternative work.

The scheme, with its emphasis on training and weekly payments, has essentially remained unchanged since the mid-1970s and has afforded a large number of redundant workers from the steel industry social protection in a difficult phase of restructuring. It has often been supplemented by quite substantial sever-

E9 is based on a case study by William Rees und Barry Thomas

Notes

Who qualifies for ISERBS benefits?

There are essentially four requirements in relation to whether an individual worker qualifies for ISERBS benefits.

- The worker must have been wholly or mainly engaged in the production of ECSC steel products, i.e. those listed in the ECSC Treaty (of Paris).
- The worker must either have been declared redundant or transferred to another employment within the same steel company (or an associated employer).
- The worker must have been employed with the same steel company (for at least 16 hours per week) for 52 weeks before being declared redundant or being transferred.
- Male workers must have been aged under 65 and female workers under 60 at the date of redundancy or transfer.

ance payments by steel employers to encourage shake-outs in addition, and by training measures in order to complete and extend the measures offered by ISERBS.

The basic principle of the scheme is that the type of benefit received by the worker depends on **his/her situation** and **his/her age**.

Male workers from the age of 55 and women workers from the age of 50 can apply for early retirement (Situation I).

There are three basic types of benefit instrument depending upon the worker's **situation**, i.e. whether

II) unemployed;

III) employed
either

(a) with a new employer; or

(b) through an internal transfer; or

(c) by becoming self-employed.

IV) attending a DTI-approved training course shortly before or post-redundancy or transfer.

Situation I:

Early retirement

This option is an alternative for men aged 55 or over and women aged 50 and over to unemployment. The worker opts to have a capital sum paid into his/her company pension scheme or to purchase an annuity with an insurance company.

The following **three procedures** have to be strictly followed: the worker must:

- request pension option details within four weeks of becoming eligible;
- determine whether to take this option within four weeks of receipt of the details;
- be unemployed and be available for employment when making the choice and have been unemployed since the date of redundancy, i.e. he/she must sign on for state unemployment benefit or be certified as incapable of work due to sickness.

It should be emphasised that workers taking the pension option are ineligible for other benefits under ISERBS.

Situation II: Unemployment

The basic rule for all unemployed, and otherwise ISERBS-qualifying redundant steel workers, is that they must sign on as unemployed and continue to sign on after the entitlement to the 52 weeks' state unemployment benefit has been exhausted, in order to receive weekly ISERBS benefit. The details set out below are simply age-related.

Unemployed redundant men under 55 and unemployed redundant women under 50

Unemployed redundant men under 55 years and unemployed women under 50 can receive ISERBS unemployment benefit of £16 per week for up to a maximum of 52 weeks. Receipt of ISERBS unemployment benefit does not have to be continuous provided that the payments are made within 78 weeks of the date of redundancy, subject to this maximum of 52 weeks of actual payments.

Unemployed redundant men 55 or over and women 50 or over

These individuals may receive ISERBS unemployment benefit of £16 per week for up to 26 weeks, normally as a top-up to State unemployment benefit. Then instead from their 27th

week of unemployment, they can receive 90% of their previous earnings for a further 52 weeks; and then 80% of such earnings for a further 26 weeks; in each of these two cases any State benefits or income from their old company (e.g. company pension) must be taken into account in the calculation. Previous earnings for this calculation purpose cannot exceed £410 per week, at which point they are capped.

Here too, ISERBS does not require weeks of unemployment to be continuous as long as they come within a total time limit of 104 weeks for men aged between 55 and 59 and for women between 50 and 54 from the date of redundancy. For men redundant at 60 or more and women at 55 or more, the overall time limit is 130 weeks.

Individuals working under 16 hours per week are treated as unemployed, i.e. they can receive ISERBS benefit only for those days on which they are unemployed and available for work.

The **ISERBS payments structure** thus explicitly recognises that men redundant at 55 and over will have the most difficulty in obtaining a new job and that any job obtained may very well just be a short-term opportunity. The contrast here in the ISERBS position with men redundant at under 55 is very clear; the latter are strongly encouraged by the ISERBS payments structure to go into training or come back into employment, albeit at a lower wage.



Notes

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**Situation III:
In employment again:
with a new employer,
through an internal
transfer or
by becoming self-
employed**

New employer

Where a displaced worker obtains a **new job outside the steel industry** (working 16 hours or more per week) and his current earnings are under 90% of his previous weekly steel industry earnings, he is entitled to a make-up payment under ISERBS to bring his new income up to 90% (but no higher) of his previous earnings. Also here the maximum is taken to be £410 per week.

The previous earnings for this calculation are the average of the worker's former **normal earnings**, but excluding non-contractual overtime and payments for particular abnormal working conditions, for the 13-week period ending four weeks immediately preceding the date of redundancy or transfer. In order to calculate the new earnings to be topped up to 90 per cent, four weeks are taken as a reference base.

Where the ex-steelworker works for more than one employer or receives a steel company pension or other compensation payments, the gross amount of these payments is normally

taken into account when comparing with the previous earnings.

Internal transfer

If the worker obtains a new job in the company or in the steel industry in general, the same principles apply, i.e., the workers receive compensation payments from the ISERBS fund. In this case, though, his current earnings are assessed over 13-week periods on the basis that earnings patterns in this instance are likely to be more predictable and so require less frequent assessment periods. For calculation purposes, current earnings are the average of the worker's new normal earnings for the previous four to 13 weeks (as appropriate) of normal working, but excluding non-contractual overtime and payments for particular abnormal working conditions.

A transferee to a new job within the same steel company beyond daily travelling distance may be eligible under ISERBS for removal, resettlement and travelling allowances.

The average weekly make-up payment in 1991 was £86.50, with an average previous gross steel wage of £347.42 per week.

Individuals with a part-time employment working under 16 hours per week are treated as unemployed, i.e. they can receive ISERBS benefit, but only for those days on which they are unemployed and available for work.

A **practical difficulty** with this specific instrument is that it encourages non-steel employers taking on ex-steelworkers to pay them a low wage in the knowledge that in the short term they will be relying upon ISERBS make-

up. Nevertheless the reality is that otherwise in many cases these workers would be unemployed, so that in this sense this ISERBS instrument can be regarded as an **effective measure for cushioning and assisting the workers** concerned, since it helps significantly in getting them back to work.

The self-employed

Provided that the self-employed ex-steelworker's work represents gainful full-time employment (and he can prove this by providing the necessary accounts every six months), he may be entitled to ISERBS make-up payment bringing him to 90% of his previous earnings. While certified accounts covering a six-month period need to be assessed before the first make-up benefit can be paid, during the interim period a £16 per week payment can be made to the wholly self-employed. The sum paid on this basis, however, is recovered by ISERBS when full entitlement to make-up payments is determined or it is ascertained that the self-employed person is not entitled. The DTI, which administers ISERBS particularly through its Agency Office,

Age: Men	Age: Women	Maximum length of benefit period in weeks
under 55	under 50	778
55-59	50-54	104
60-64	55-59	130

has declared that it will not compensate the self-employed for losses made, though it may provide a make-up payment of up to 90% of the person's earnings in such circumstances.

Situation IV: In training

The individual needs to find and then apply to attend a training course to improve his employment prospects and then have his application approved by the DTI (via his (ex-) steel employer generally). Once on the approved course, the trainee receives a tax-free allowance weekly, which approximates to his previous weekly net pay as a steel worker (because a notional amount of tax is deducted). Thus the amount received is directly based upon the trainee's previous steel industry earnings.

Travel and accommodation allowances may be paid as additional training benefits. Travel is calculated by applying the most economical mode of travel from the trainee's home to the training premises, while accommodation expenses only apply where the trainee's journey stretches beyond reasonable daily travel distance.

The payments structure in relation to training shows the considerable importance which ISERBS pays to training as a policy instrument, with maintenance payments made during training being higher than (ISERBS-boosted) unemployment benefit.

The maximum length regardless of age is 52 weeks, beginning before the date of redundancy, provided the worker is made redundant no longer than 26 weeks after the end of the course.

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Given the lower age provision of workers in the steel industry in the 1990s compared with the 1980s, 1990s redundancies have led to a rise in the practical significance of the training benefits and a comparative reduction in the take-up of the early pension option. At the most recent Ravenscraig closure, for example, workers overwhelmingly opted to enter training in subjects such as welding and

pipe-fitting, electronics, building services, driving skills (Heavy Goods Vehicles and public transport) and, primarily for white-collar workers, computing. Others opted to enter colleges of further education or universities.

Training is relatively expensive as compared to other instruments utilised to cushion or improve the workers situation. The average

ISERBS example***Howard Jones***

*Ex-steelworker, redundant, 45 years, married, with no children
(Figures as at April 1992)*

Situation II	For the first six weeks after date of redundancy: unemployed Receives: - ISERBS unemployment benefit (£16 pw) + - State unemployment benefit (£43.10 pw) + £26.60 pw for spouse)	running period: = 6 weeks
Situation IV	For the next 44 weeks (average course length): on full-time DTI-approved training course on electronics: Receives: allowance approximating to his previous net earnings for these 44 weeks	+ 44 weeks = 50 weeks
Situation III	Obtains full-time employment in the electronics industry immediately at the end of the course: Receives: Two thirds of the wage previously earned in the steel industry; therefore, ISERBS make-up payment bringing his new income up to 90 per cent of his previous steel earnings	+ 28 weeks = 78 weeks maximum

course fees (for an average course length of 44 weeks) have been running at just under £7 000 (to which the EC Commission contributes, but not as an ISERB item), whilst the average ISERBS training benefit is running at almost £275 per week and travel allowance at £8 per week.

The individual's changing situation

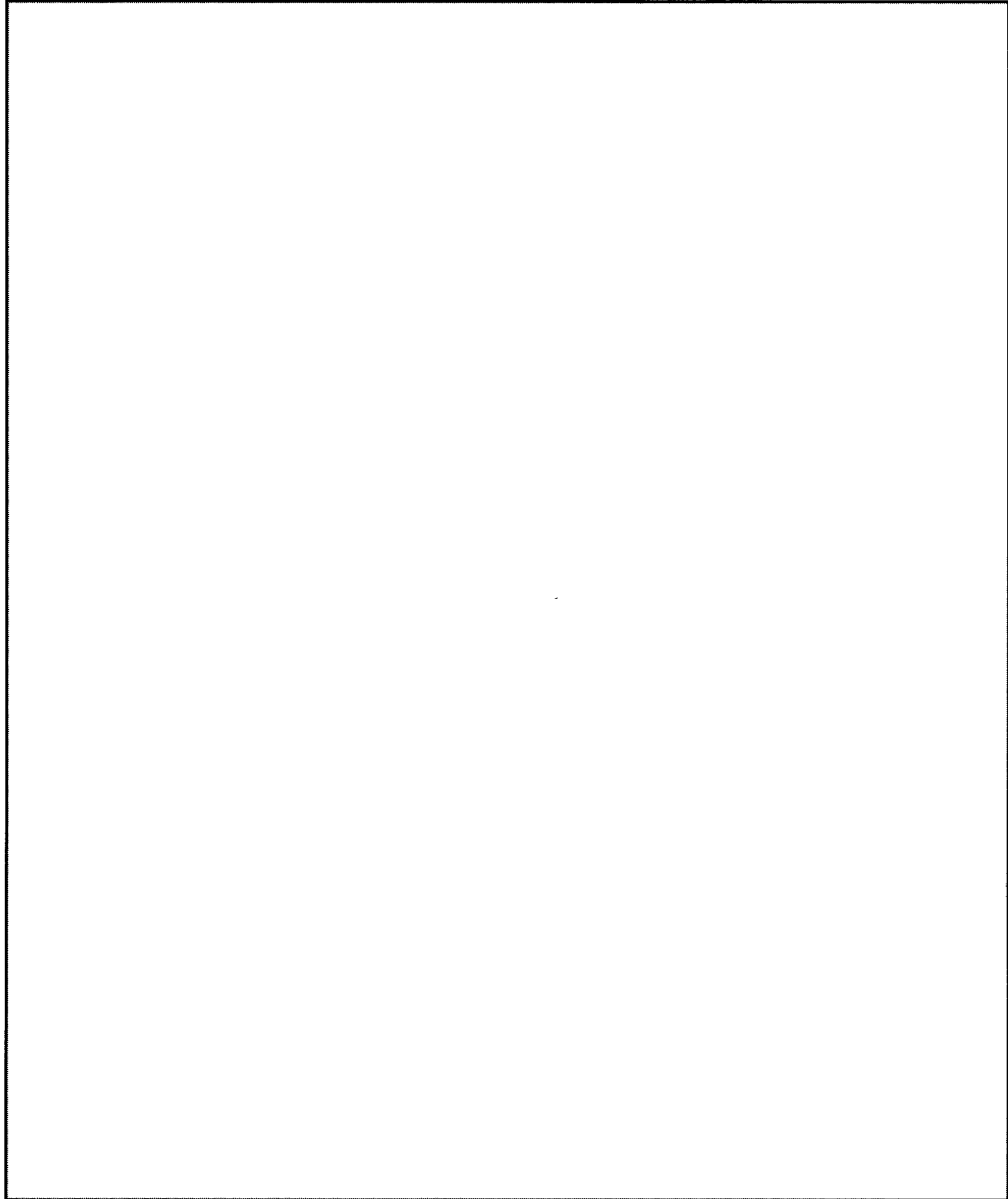
ISERBS takes in account that the situation of an individual who is dependent on aid might

change from employment to unemployment, from self-employment to retraining periods or other situations. Therefore, it is important to confirm that each individual may move between different situations, subject to the total period of eligibility.

The easiest way to visualise a “crisis career” is to take a look at a specific example (*see the table on the previous page*).

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Model: Anti-crisis Division at ARBED Steel

Employees who would otherwise be made redundant are assigned to the most varied jobs, both inside and outside the company, without any loss of income, in the Anti-crisis Division of the Luxembourg steel company, ARBED. They can subsequently either return to the regular area of activity of the business, find alternative employment, or take early retirement.

ARBED (*Aciéries Réunies de Burbach-Eich-Dudelange*), which has existed under this name since 1911, is the largest industrial concern in the Grand Duchy of Luxembourg. Even today, the steel industry remains one of the cornerstones of the country's economy. In 1975, the first year of crisis after the steel boom of 1974, around 30 000 people were still employed in the steel industry, including foreign companies. A further 7 000 or so were employed in the country's ore mines, which also belonged to ARBED. A good 28 per cent of Luxembourg's 130 000 or so gainfully-employed persons were thus working in the iron and steel industry.

By 1992 all the ore mines had been closed, and the steel industry provided employment for only 9 000 or so people: the workforce had been reduced by two thirds, and production had been halved.

The steel crisis thus imposed a kind of national state of emergency on Luxembourg between 1975 and the end of the 1980s. We need, then, to take a look at the "Luxembourg Model" of a social policy for economic growth and full employment before turning our attention to the Anti-crisis Division at ARBED.

The Luxembourg Model

Once it had become clear that the steel crisis was in fact a structural crisis, management at ARBED initially planned extensive redundancies. The unions' counter-arguments were characterized by **three central features**:

- no outright redundancies;
- no loss of income for those leaving the steel industry;
- all employees affected by the crisis to remain in employment; work to be commercially or at least socially worthwhile, i.e. no marking-time as in most short-time employment models.

This model met initially with not a few reservations - not least within ARBED itself. Nonetheless, it came to form the basis of the "Luxembourg Model", which found broad social acceptance.

Luxembourg

ARBED

E10 is based on a case study by Hans-Werner Franz und Uwe Jürgehake

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The initiative came largely from the *Onafhängege Gewerkschaftsbond Lëtzebuerg* (OGBL, Luxembourg Federation of Independent Unions). The active involvement of the union in the implementation of this model is an essential element, just as consensus is a basic element of the Luxembourg Model. Tripartite negotiations took place between the government, the company and the unions before all important decisions. A "National Employment Market Committee" was formed specifically for the purpose, chaired by the Minister for Employment and Social Security, with representatives of both sides of industry and of ministerial departments. The strength of the model derived from the fact that decisions received broad social acceptance, in spite of all the differences on point of detail.

In addition to the ARBED Anti-crisis Division (a truly Luxembourg invention), the standard instruments of the European Coal and Steel Community were also applied: early retirement, transfer, retraining, reemployment. These date largely from legislation in the second half of the seventies. Despite the country-wide measures, the social partners still have an obligation to preserve and create jobs at company level. The government-sponsored plans incorporate an ARBED investment plan, with the aim of ensuring that the crisis was also used for technical modernization.

The **central financing instrument for all social policy measures** is a special fund created specifically for the purpose, the **National Unemployment Fund**, which now also finds application in other sectors.

Financing

The principal instrument, i.e. the Unemployment Fund, is financed through:

- aid from the European Coal and Steel Community;
- special contributions payable by the employers (with the exception of public-sector employers) at a rate of 0.25 per cent of pay declared to old-age pension funds and invalidity insurance schemes;
- a special tax at a rate of 2.5 per cent, on top of personal income tax, and a special tax at a rate of 1 per cent of the income tax on corporations; and finally
- a special tax at a rate of 2.5 per cent, on top of personal income tax, and a special tax at a rate of 1 per cent of the income tax on corporations; and finally
- a contribution payable by local authorities at a rate of 2 per cent of local trade and business tax.

A **National Loan and Investment Company** was also established to further economic growth, one of its tasks being to formulate a series of economic objectives.

Both instruments were incorporated into a **phased plan**, based on varying degrees of unemployment brought about by the restructuring of heavy industry; these would trigger increasingly extensive economic and social policy measures.

In return for these considerable national efforts, the Luxembourg government received 42 per cent of ARBED's equity capital.

Work in the public interest

Here, as elsewhere, the 1975 slump was not initially perceived as the start of a structural crisis. In order to avoid redundancies and short-time working, and in order to retain staff who, it was assumed, would be needed again at the end of the crisis, a "labour pool" was created for performing certain tasks. A special agreement was entered into between the company and the unions in July 1975. Transfers to these jobs were initially on a voluntary basis, although the special agreement also provided for the possibility of compulsory assignment.

Because the company itself, including its various subsidiaries, did not have enough work, considerable recourse was had to "exceptional work of general interest (emergency work)", which the Luxembourg government offered to organize and pay for. A corresponding law was passed shortly beforehand.

All those involved were initially happy with this solution. It was no longer tenable, however, by 1977, when it had become clear that the crisis was of a fundamental nature and would affect far more people over a longer period than was originally envisaged.

The Anti-crisis Division

Notes

For this reason, the Anti-crisis Division (*Division anticrise*, DAC) was established in June 1977 under a new, open-ended "special agreement" (see the documentation) based on the positive experience of the first two years.

In some cases, complete workforces (i.e. intact, proven units) from other Divisions or other operating units which had been closed were transferred to this Division. The first major plant closure, for example, which affected 870 persons, involved a complete blast furnace plant with four blast furnaces and a power station. This was followed by complete rolling mills.

The Anti-crisis Division was at times the second-largest Division of ARBED. In the early eighties it employed twice as many people (3 000), as were registered as unemployed and looking for work on the entire Luxembourg employment market.

The employees retained their original job until they were given another permanent job or left the company - a very important entitlement from the point of view of the unions, since it guaranteed the level of income of the employees concerned.

The employees working in the Anti-crisis Division were engaged either inside or outside the company, in a subsidiary of ARBED or even in an entirely separate company.

However, the task of the Anti-crisis Division was not simply to assign employees to new areas of work. It was also required, in practice, to train and organise individuals or

Dokumentation

SONDERABKOMMEN
ZUR BEWINDUNG DER
BESCHÜFTIGUNGSKRISE IN DER
EISEN- UND STAHLINDUSTRIE UND IM
EISENERZBEREICH LUXEMBURG

Accord spécial
en vue de surmonter la crise de l'emploi dans la
siderurgie et les mines de fer du Luxembourg

Special agreement to overcome the employment crisis in the iron and steel industry and the iron ore mining industry in Luxembourg (extracts)

1. The parties to the Agreement are agreed that the unconditional aim must be to ensure employment for those members of the workforce who have become surplus to requirements through the structural and economic crisis in the steel industry.

An Anti-crisis Division shall be formed for this purpose.

The winding-up of this Division shall be subject to negotiations between the parties to the Agreement ...

Any disputes arising, and all important measures, shall be the subject of negotiation between the parties to the Agreement.

2. Members of the workforce who have become surplus to requirements for the above reasons shall be assigned to the Anti-crisis Division. They shall nevertheless remain registered in their former appointment until such time as they have been transferred permanently to a new appointment.

The members of the workforce assigned to the Anti-crisis Division shall be deployed as follows:

- a) on work within the company;
- b) outside the company, on work carried out by the company on its own account;
- c) outside the company and temporarily with subsidiaries or third companies. Wherever possible, complete teams with their direct supervisors should be kept intact.

If the distance between the place of residence and the place of work is so great that the employee cannot reasonably be expected to travel this distance each day, a temporary transfer may be made on a voluntary basis only.

Consideration may also be given to a voluntary transfer to other sectors of activity and to early retirement (...)

4. The contracting companies shall form links with other companies and shall, if necessary, take the initiative to find new areas of activity and, by so doing, make productive use of the surplus workforce.

5. It may occur that members of the workforce from the steel industry are utilized in sectors of activity and in companies which have their own collective agreements, with special wage settlements and specific contracts of employment.

6. In the event of the use of members of the workforce from the steel industry in such companies, for example in the construction industry, in steelworks and in mines, the following regulation shall apply, which shall be effective either in addition to the applicable collective agreement or in amendment of it:

- a) Any instructions given by the supervisors designated by the company shall be followed without question, and any safety regulations applicable to the site shall be observed.
- b) Transport to and from the place of work shall take place in accordance with the relevant practice of the company concerned.
- c) In order to ensure compliance with normal operating procedures, and in order not to disrupt the working climate of the company in question, all employees shall be subject to the same daily working hours and attendance hours and to the same rest periods that are customary throughout the sector. (...)

Notes

d) The customary rules for the steel industry shall continue to apply to the calculation and payment of daily and weekly overtime hours, although these must remain the exception. Any time off in lieu arising in this context shall be granted within a period of four weeks in agreement with the site manager.

e) The new supervisor shall be responsible for granting rest days and holidays.

f) In the event of shifts being lost due to adverse weather conditions, the hours lost may be made up in full or in part.

g) The rules laid down in the Special Agreement of 31 July 1975 on the practical arrangements for extraordinary emergency work and short-time work shall apply to remuneration and to other matters of the kind referred to in a) to f) above. Any resulting additional expenditure for any supplements not secured through collective agreements by comparison with internal transfers shall be met from the wage guarantee fund established by the collective agreement of 29 September.

7. Those members of the workforce who, with the agreement of their supervisor, declare themselves ready to accept employment in another company shall be paid a one-off compensatory amount, as provided for under Section 9.13 of the collective agreement, i.e. they shall be equal in status with the employees specified therein.

8. The following rule shall apply, in place of the above point, to subsidiaries of the contracting companies:

a) As in the case of internal transfers for economic and structural reasons, the company shall undertake to guarantee the previous income, excluding supplements for night, Sunday and holiday working, and any overtime.

b) The length of service of the employee shall be credited to him by the new employer

for the purpose of social benefits dependent on the length of service.

9. The companies shall undertake, for the duration of the probationary period with their new employer, to reemploy those members of the workforce who leave their employment in accordance with the two aforementioned points, should they prove to be unsuitable for their new employment. Any rights and entitlement acquired shall be retained in this event.


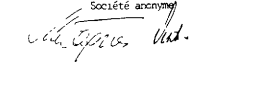

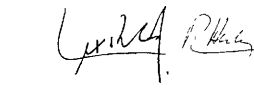
An employee found guilty of gross misconduct at his new workplace shall forfeit his right to reemployment by his former employer. The procedure to be adopted in this case shall be the same as for termination of the contract at the end of the probationary period, depending on the length of service, or as for dismissals with immediate effect.

10. The provisions listed under Point 6. shall apply to the members of the workforce contracted out to subsidiary companies and third companies. (...)

12. The present Agreement shall enter into force retrospectively with effect from 1 April 1977.

Luxembourg, 1 June 1977

Ünfffach ausgefertigt zu Luxemburg, am 1. Juni 1977

<p>Letzburger Arbeitnehmerverband</p> 	<p>ARBED Acieries Réunies de Burbach-Eich-Dudelange Société anonyme</p> 
<p>Letzburger Chreschtleche Gewerkschaftsbund</p> 	<p>Métallurgique et Minière de Rodange-Athus Société anonyme</p> 

Notes

entire groups for their new work, which they were generally expected to perform in entirely new surroundings. This also included preparation (retraining) for entirely new occupational environments, which was not infrequently the basis for a subsequent change of occupation and employer.

Areas of employment

Three main areas of employment can be identified:

- A significant proportion was work at **ARBED itself**. Demolition or new construction work in conjunction with the closure of divisions and companies and new capital investments were the main element here. **Transfers to ARBED subsidiaries** should also be included in this category (*see Items 1-4 in the above Table*). In these cases the companies paid the wages over to the Anti-crisis Division. This wage was generally at a level below that of the old regular job, because bonuses typical of the steel industry (such as for night, Sunday and holiday working) were not taken into account. Any differences in wages were made good from the unemployment fund. In order to facilitate the process, ARBED received a lump sum of 15 per cent of the personnel costs for each employee who was thus not made redundant.
- **Work in the public sector**, for which no regular government funding was available, was of almost equal importance. One example of this is the restoration of historic buildings (castles, etc.), to help boost the

Places of employment of the 3 041 employees of the Anti-crisis Division in June 1982*	in %
Demolition/site clearance (within ARBED)	10
New construction/Investment (within ARBED)	14
Transfers (within ARBED)	10
Employment in subsidiaries	7
Employment in outside firms	15
Public work	35
Casual or no work	9
Total	100

Source: Die Mitbestimmung 11/1982

tourist trade, a most important industry in the Grand Duchy. Wages and salaries were met in full from the unemployment fund in this case.

- **Employment in outside firms** was also of considerable importance. Government contracts also had a major part to play here. In this case, too, differences in wages were met from the unemployment fund. The Anti-crisis Division acted to a certain extent as a temporary employment agency, and government organizations (e.g. the Post Office) were not infrequently the client. This approach also made it possible to circumvent age restrictions when making appointments to civil service jobs (statutory age limit: 35 years).

Notes

"Crisis careers"

The following four "crisis careers" are, each in its own way, typical:

Jean Montagnard

is one of the small group of employees who registered voluntarily with the Anti-crisis Division. A trained fitter, he began work in the maintenance department of a rolling mill and then worked his way up to the level of production foreman. For many years, he was a member of the small core team that formed the basic workforce of the Anti-crisis Division. He led various working groups there and also performed management functions. He subsequently returned to the company, where he was seconded as a safety representative for the white-collar staff, since his old job in the rolling mill was no longer available.

Herbert Ravenfeld

was approaching the age of 56 when the Anti-crisis Division was set up. He, like many of his semi-skilled production colleagues, knew that he would take early retirement at the age of 57 after almost forty years with ARBED. He was an active member of a demolition gang and later worked on a new construction project during his year with the Anti-crisis Division.

Marco Girardelli

38, a trained electrician, was initially shocked to learn that his own Division was to close, and that he would be transferred to the Anti-crisis Division. However, after completing an electronics retraining course and a series of jobs, he was one of those who were offered a well-paid job in another company. He accepted this in spite of the fact that he, like many of his qualified colleagues, could have found work in one of the new ARBED plants; as he said, "the steel industry has no real future".

Robert Lenz

now aged 42, is a trained sand moulder. He belongs to the small group for whom the Anti-crisis Division has, to some extent, become a new home. The world he had known collapsed when the old foundry closed - he was aged 32 at the time - and he found himself transferred to public relief work. He was soon to enjoy working in the open air, however, doing a wide range of jobs, and applying his new training as a bricklayer to good effect. He likes the responsibility that devolves to him and his group, and regards the prospect of soon returning to work in the modernized foundry with mixed feelings.

Notes

The feared competition with existing companies, above all those in the craft sector, appears, in the latter two categories at least, not to have led to major conflicts, and certainly not to the break-up of "national solidarity". Potential conflicts were defused by inviting the craft sector to send its representatives to the National Employment Market Commission and to voice any fears at an early stage.

Because these measures could not take in all "surplus" employees, and because redundancies were not an available option, ARBED on the one hand offered **additional pay arrangements** for those employees who left the company in order to take alternative employment, and on the other made use of the arrange-

ments for **taking early retirement at the age of 57 years**, with a **tideover allowance** until statutory pensionable age. This allowance was subject to all social security and tax deductions and amounted to:

- for the first 12 months: 85 per cent of the gross wage over the last three months;
- for the next 12 months: 80 per cent of the gross wage over the last three months; and
- for a final period of 12 months: 75 per cent of the gross wage over the last three months.

It was subject to a ceiling of four times the statutory minimum wage. Increases in the tideover allowance were also linked to the cost of living index.

Notes

Model: Charbonnages de France

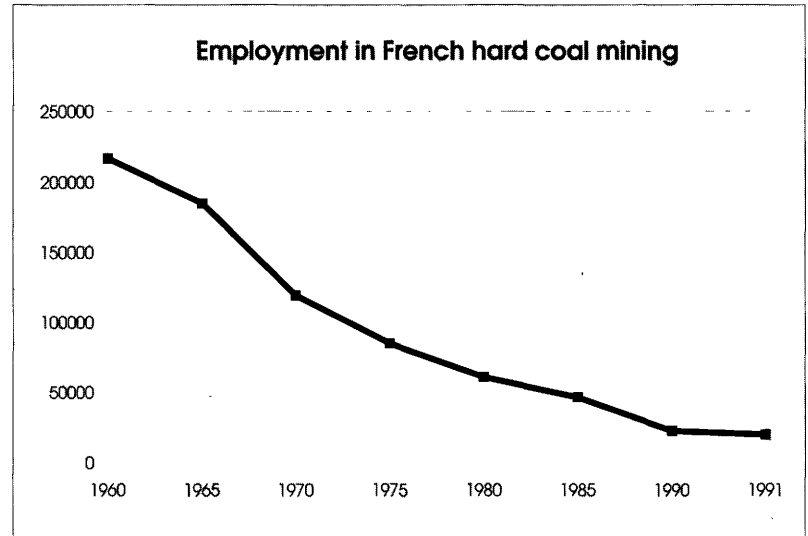
Charbonnages de France, the national French coal mining undertaking, adopts a very broad approach to social crisis management, using not only traditional instruments such as early retirement and social plans but also trying to guarantee job security to all ex-mineworkers without exception, for which purpose it uses a very extensive range of instruments, the aim of which is to ensure individual job security and to create substitute employment and make a specific contribution to the restructuring of the region.

The crisis in the coal mining industry

The decline in coal production since the end of 1950s was accompanied by a steady reduction in the workforce. Output of coal was reduced progressively, and finally ceased completely in most regions of France, due, as in other countries, to oil and natural gas and increasing imports of cheaper coal, whilst the price of domestic coal rose steeply in spite of modernization and rationalization. The French coal industry was only able to survive and gradually scale down its output thanks to a national

energy policy, which repeatedly gave new purchase guarantees for coal for electricity generation and industry.

France



Summary of instruments

In France, too, the slow and steady decline in coal output has led to a comprehensive and varied range of instruments for social crisis management.



CHARBONNAGES DE FRANCE
Établissement public à caractère industriel et commercial

E11 is based on a case study by CEDRES (Paris)

Notes

A distinction can be drawn between **three groups of employees**:

Group A: The oldest employees, who can either retire or take early retirement or will shortly reach the necessary age.

Group B: Younger employees, for whom mining is no longer able to provide a normal career up to the age limit.

Group C: All other employees: those with impaired performance and the disabled, those establishing new businesses and those who wish, if at all possible, to remain in mining in order not to forfeit any pension entitlements and who, like the employees in Group B, must be found places in other pits or in other companies.

The list of measures differs depending on whether a pit is to be closed, or whether it might survive, at least for a time.

The following presentation of the instruments is based on the scenario of the **closure of entire mining companies**, with all the attendant consequences for the employees and the region. The other case is thus dealt with only briefly.

Job losses, but pits saved

The following set of instruments might apply to job losses in conjunction with pit modernization:

- Early retirement;
- External placement with another employer, e.g. *Electricité de France*;
- New business start-up aid;
- Further training or retraining in conjunction with a transfer to another pit or a

placement in another undertaking or another company in the same group;

- Repatriation assistance for immigrant workers who wish to return to their homeland;
- *Versetzungen innerhalb des Zechenbetriebes oder Verlegungen zu anderen Zechen* Transfers within the colliery or transfers to other collieries..

Should further measures prove necessary, consideration could be given to all the instruments which would additionally be brought to bear in the event of a closure. These are described in detail on the following pages.

“Social plan”

The crucial instrument is the “social plan”. This approach involves respecting existing employment agreements (*accords sur l’emploi*), entered into at national level between the unions and the employers’ federations, and existing collective agreements.

A social plan can be negotiated at two levels:

- **within the company** between the unions - as a rule the most representative unions in the company - and company management;
- **at sector level** between the employers’ federation and the most representative unions in the sector.

The social plan sets out the measures to be adopted and the procedure for their implementation and verification in each company. It is entered into for a period of two years prior to the closure of the pit(s) concerned.

The following crisis management instruments to some extent represent the content of a social plan.

Transfers

The company undertakes to find alternative employment for employees who have not reached pensionable age or the age limit for early retirement within the shut-down period. This may be in other companies within the undertaking in the same coalfield, although it may also be in other regions or companies within the *Charbonnages de France* (CdF) Group, including units in other countries.

This commitment applies only to employees aged at least 40 years and with a minimum of 20 years' service, for which purpose the years of service are based on the number of years' membership of the miners' social security insurance fund (Group C; see p. 2).

The new job must correspond to the qualifications of the person concerned (with training provided if necessary). Conversely, the employing company or works may insist that the employee concerned satisfy the qualitative requirements of the new workplace, and it cannot be forced to take on more employees than it needs.

Holiday as pre-early retirement

The *congé charbonnier de fin de carrière* (miners' end-of-career holiday entitlement) is an instrument which exists in this form only in

France and within the Charbonnages de France (CdF) organization. This basically takes the form of a paid leave of absence or release from duties for a maximum period of ten years prior to reaching pensionable age or early retirement age. A "pre-early retiree" remains an employee of CdF with all rights and obligations including social insurance and tax, although the individual concerned is relieved of all activities. All entitlements remain in force, including the right to receive benefits in kind (domestic fuel and reduced rent, etc.).

Also of interest is the fact that the "pre-early retiree" has access to retraining and, if he wishes, is free to return to work.

Who qualifies?

Employees are entitled to take such "pre-early retirement" under the following circumstances:

- aged 45 years or younger, with at least 25 years' service (miners' benefit fund);
- registered industrial disability pensioners or employees with capacity for work reduced by at least 30 per cent through an industrial accident or an occupational disease, and with at least 20 years' service (miners' benefit fund);
- aged over 50 years, and not belonging to either of the groups mentioned above. This means: "pre-early retirement" up to age 55, provided that 15 years' miners' benefit contributions have been paid by that time, or until the latter condition is met, although in no circumstances beyond the age of 60. To put it more simply: up to early pension age or retirement age.

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This “pre-early retirement” scheme never comes into force earlier than six months after the start of the social plan, so that the individuals concerned have the opportunity to familiarize themselves with the alternatives offered under the social plan, especially transfers and part-time working, because the financial conditions do not correspond to those actually enjoyed by people in work. The company is accordingly required to draw up a list of jobs suitable for part-time work.

“Pre-early retirement benefit”

The company guarantees the “pre-early retiree” an income equivalent to 75 per cent of his/her previous net annual earnings. If the early pension plus any compensatory benefits an individual would receive if he were entitled to take early retirement on the basis of his years of service is higher, then this is the amount paid. A similar settlement is made in respect of claims by those with impaired performance.

From the time a “pre-early retiree” reaches early retirement age, he also receives a settlement, although not beyond the time at which he reaches pensionable age, for each year of early retirement. This settlement is calculated on the basis of half a “pre-early retirement” annual wage (*see above*). In addition, a further settlement amounting to three months’ pay for each year of service is also payable.

There are also special settlement schemes for the various groups of workers: manual workers, salaried employees and engineers, and those with impaired performance.

Transfers or alternative employment

Charbonnages de France undertakes to provide younger employees (Group B, *see page 2*) with alternative employment in other companies inside or outside the Group. The declared objective is to avoid any dismissals and to offer all employees at least an acceptable opportunity for reemployment.

During a familiarization phase, employees are given the chance to choose between the various opportunities which may be open to them:

- Employment by the energy group “*Electricité de France*”;
- Self-employment;
- Retraining;
- Repatriation of immigrant workers to their country of origin;
- Transfers, if necessary involving moving house.

Each of these is associated with a series of guarantees and support benefits that may be claimed as soon as the employee has left the company. He can remain employed by the company, however, until the new job is available, or during preparatory periods due to any necessary training or retraining. In the event of employment in another company being interrupted or withdrawn within a specific period for reasons for which the employee is not responsible, he may return to CdF. There he will receive a new offer of employment or, if necessary, further training.

Notes

Placement, advice and guidance office

Charbonnages de France has opened a staff office reporting directly to the Chief Executive. This coordinates the work of the local advisory offices, whose function is to provide concrete assistance and guidance. Their duties involve both planning and the provision of individual aid to miners. In detail:

- Information in respect of opportunities for and conditions of early retirement;
- Information in respect of opportunities for and conditions of repatriation to the country of origin;
- Information in respect of opportunities for and conditions of transfers to the energy company, *Electricité de France*, with which an agreement was in force between 1984 and 1988 for the assimilation of around 1 000 miners each year;
- Identification of acceptable vacancies in the group and in the surrounding areas with the highest employment intensity;
- Preparation of a quantitative and qualitative summary of vacancies, in order to improve the planning of training programmes;
- Examination, activation and provision of the available training resources, with

a view to arranging appropriate training courses;

- advice and guidance in individual interviews for all employees affected, taking into account their skills, knowledge, preferences and limitations;
- After these individual interviews, the preparation of an individual proposal geared as closely as possible to the qualifications and preferences of the individual;
- Advice for the individual employee concerning suitable measures and opportunities for achieving the set objectives, focusing on the provision of intensive advice for young, low-skilled employees.

A vacancy on offer is considered acceptable:

- if it corresponds to the qualifications of the employee concerned;
- if it is associated with an open-ended contract of employment in a company that is not at risk;
- if the pay corresponds to at least 75 per cent of the level that the individual concerned would have received at CdF in a surface job (fixed elements and benefits in kind).

Notes “Adaptation leave”

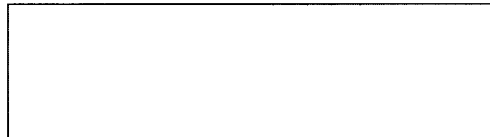
Employees to whom the alternative jobs offered do not appeal, and who wish to take a look at the employment market for themselves, are granted “adaptation leave” (*congé individuel d’adaptation professionnelle*) for a maximum period of one year.

During this phase, which may also be used for longer training courses, the employee is released from all activities for the company, although he otherwise retains all rights deriving from the continuing contract of employment. The period of leave ends on the day on which alternative employment is accepted.

The monthly pay during this period is equivalent to 65 per cent of the previous net annual income and is pay-linked. Benefits in kind remain unaffected.

If this offer of special leave is not accepted, the company is free to serve notice of termination, having due regard for statutory requirements, unless the employee leaves the company voluntarily. In this case he can claim payment of any compensation due to him in respect of the adaptation leave not taken, at the level of the forfeited “leave pay”.

All the conditions relating to the termination of the contract of employment apply in addition. There is a maximum sum, however, which may not be exceeded for reasons of equality of treatment.

**Further training and retraining**

Training is, as a general rule, an indispensable part of the transition from working in the mining industry to alternative employment. This further training or retraining is taken with a view to a concrete job with an existing new employer. It is the subject of an agreement between the mining company and the new employer.

The training is undertaken at *Charbonnages de France* or in an institute nominated by the future employer (or his federation) either before or after the transfer to the new place of work.

In both cases CdF assumes the wage costs in the same way as for the “adaptation leave” (*see above*). An additional premium, graduated according to skilled workers and technicians and depending on the duration of the transitional phase (with a minimum and maximum sum), is paid to anyone who has successfully completed a qualification course or has definitively completed a transfer to a new employer. Finally, the additional costs (travel, second home, meals and daily allowances, etc.) arising from the change to a new employer or from the course are met.

In order to facilitate any necessary removals, CdF has entered into agreements with the appropriate authorities, social services and housing associations in the target region.

A major factor in facilitating mobility in every respect (geographical, psychological and vocational) proved to be the involvement of

miners' wives and, where appropriate, the whole family and their problems in the advice and guidance programme.

Diversification and reindustrialization

CdF has followed a policy of internal diversification in order to open up options for the future for the *Charbonnages de France* undertaking or group, but also for the regions affected by

restructuring. This extends largely to areas outside the mining and processing of coal.

A **financing company for the reindustrialization of the mining regions** (SOFIREM) was created in order to support this policy of diversification both internally and externally. Since its formation in 1967, this organization has supported around one thousand companies in respect of formation, relocation or expansion, and in this way has created around 80 000 jobs. As the crisis in the mining industry deepened in the mid-80s, the nominal capital of

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“Crisis careers”

Joseph Dupuis

Aged 45, with 25 years' service, wanted to take early retirement. Since the earliest date at which this is possible is 50, he opted for “pre-early retirement leave”. In so doing, he remained an employee of CdF with all the associated rights and obligations, although he was not required to do any work. He received 75 per cent of his previous net income. He has been an early pensioner since the age of 50 and receives 75 per cent of his previous net wage, plus any compensatory amounts due to him. He will receive his full pension on reaching the age of 60, provided that he had paid his full contributions to the pensions insurance fund for the stipulated 150 three-month periods by the time he left the company (at the age of 50). He also receives a supplementary pension equivalent to the entitlement earned during his period of service.

Maurice Deschamps

Aged 50, with 26 years' service, opted for “pre-early retirement” at the age of 50 with 75 per cent of his previous net income. However, since he was already entitled to take early pension, he is placed on an equal financial footing through appropriate compensatory payments with those who opted for early pension. On reaching the age of 60, he, like Maurice Deschamps, will receive his full pension and any supplementary pension due to him.

Charles Danel

Aged 60, with 25 years' service, he has not yet paid pensions contributions for the full 150 three-month periods. He thus took early retirement at the age of 60 and now receives 75 per cent of his previous net income plus the compensatory payments due to him. He will not retire until the age of 65, by which time he will have paid the stipulated total of 150 three-monthly contributions and will receive a full pension, including the acquired entitlement to an additional pension.

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SOFIREM was doubled in 1984, and a subsidiary company (FINORPA) was formed specifically for the *Pas de Calais* coalfield.

Also established in the same year was a **fund for the industrialization of the coalfields** (FIBM), with an annual budget of 100 million francs. Its aims are:

- to play a part in the financing of additional training programmes;

- to support the construction of technology and research centres;
- to be used in the redevelopment and planning of industrial zones, including the construction of premises.

In addition, CdF has gone over to a system of offering **low-interest loans** for investors in the coalfields in association with national, regional and local authorities.

Notes

Model: Convention Générale de Protection Sociale

The *Conventions Générales de Protection Sociale* (CGPS), general social security agreements, are agreements reached for the French steel industry as a whole between the employers' federation and the unions. To some extent they are sectoral social plans, partly with regional scope, which, used alongside such standard instruments as early retirement, release arrangements and termination agreements with severance pay, etc., have been particularly effective in regulating and implementing the combination of reemployment and training. This latter aspect is dealt with as a central topic in the following.

The mixture of measures in the five agreements reached since the first steel crisis in the mid-60s has changed considerably. Whereas the modernization of the steel industry was the primary concern during the 60s (CGPS 1: 1966-70), and was accompanied by massive conflicts, the foreground has

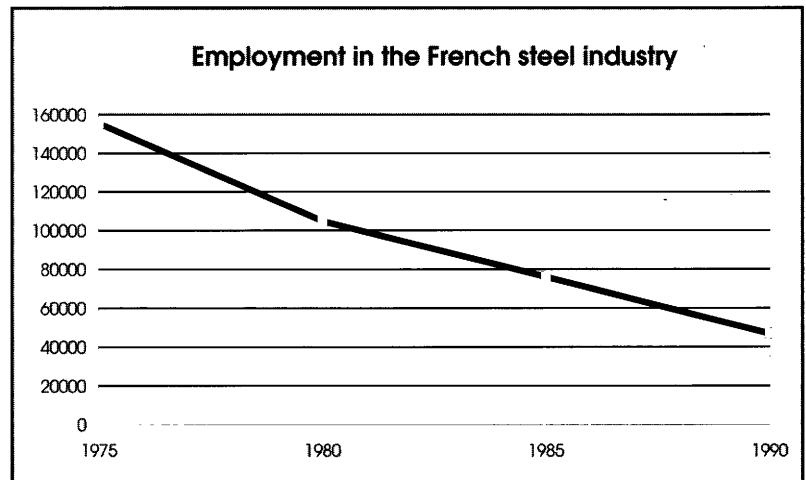
been occupied increasingly by social cushioning and support measures since the end of the 70s (CGPS 2+3: 1977 and 1979). Under the effect of the structural crisis, the 1984 and 1987 agreements switched to very far-reaching regulation of the reemployment of former steelworkers in other companies, accompanied by comprehensive training measures.

The 1984 agreement provided for shorter working hours for the first time and created a new instrument, the "*Contrat Formation-Conversion*" (CFC - Further Training and Retraining Contract) (*see p. 2 ff.*). In the 1987 agreement, finally, the training component was spelled out in more detail and was supplemented by accompanying measures for the extensive internal transfers (COFIS) needed in response to the massive reduction in the workforce in the steel industry.

France

USINOR SACILOR

E12 is based on a case study by CEDRES (Paris) and on my own research.



Notes CGPS 1987-1990

The *Convention Générale de Protection Sociale* agreed on 16 July 1987 between the GESIM (Federation of Steel and Mining Companies) and the unions (in particular the CFDT and the FO, but not the CGT) provides for the following packages of social measures to deal with the crisis-induced restructuring of the steel industry and the resultant workforce surplus:

- early retirement from the age of 55 years and paid release from the age of 50 (*see also the similar regulations for the French coal mining industry; E11*);
- accelerated implementation of agreements in respect of shorter working hours and changes in work organization (shifts, etc.);
- internal transfers;
- transfers to other companies in the same undertaking in the same area;
- transfers to companies in the same undertaking, but in other areas;
- transfers to companies in other undertakings in the same area;
- transfers to companies in other undertakings, but in other areas;
- support for transfers within the steel industry through comprehensive training measures regulated by an “internal steel industry training contract” (*Contrat de Formation Interne à la Sidérurgie*, COFIS); this contract marked the start of a vocational training drive in the French steel industry, which was continued in 1990 in the form of an “employment agreement” (*convention sur*

l'emploi) and what was regarded as a revolutionary “personnel development agreement” at USINOR SACILOR (A. CAP 2000); this aspect is taken up under the heading “Crisis Management in the Company” in Chapter E20;

- Support for transfers to other undertakings through extensive training measures regulated via a training contract (*contrat formation-conversion*, CFC).

Since we are interested here predominantly in how to deal with permanent redundancy, we shall concentrate on this *contrat formation-conversion*.

Further training and retraining contract (CFC)

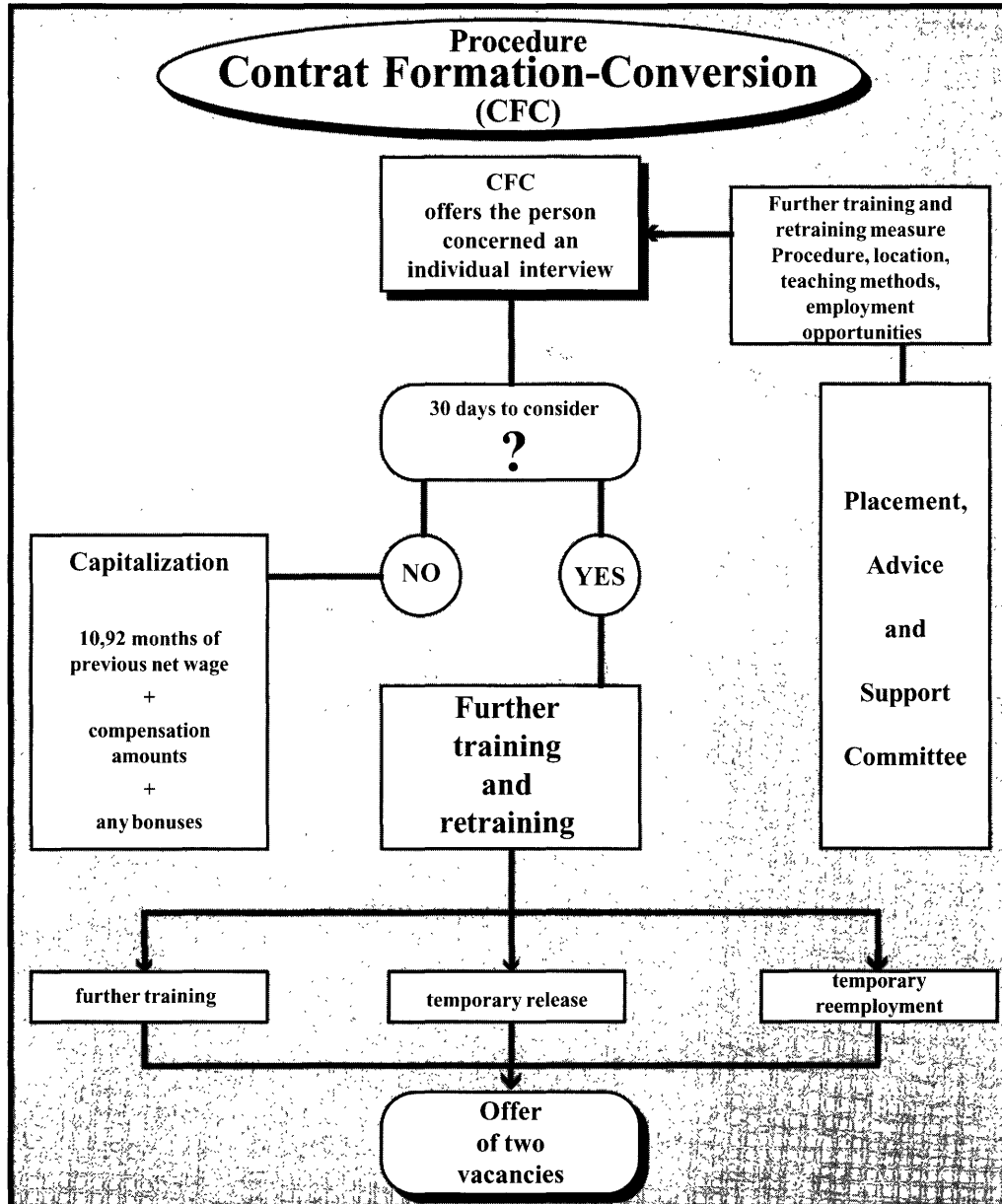
The CFC in the context of the CGPS of 1987 required each company concerned to offer those of its employees whose jobs disappeared, and who could not be released under age-related measures, a further training and retraining contract in conjunction with placement in a new job.

Duration

As a general rule, this offer applies to a “training leave” for a duration of **12 months**. It may be extended to **24 months**:

- if employees aged 45 years or older on completion of the CFC wish to take advantage of a longer course; although not if the

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individual concerned, by embarking on this measure, reaches the age limit for a “pre-early retirement” settlement (*dispense d'activité*, a form of paid release from work);

- if lower and middle supervisory staff, who have been promoted on trial, wish to take an examination corresponding to this position, and if the requisite training lasts for more than a year, or if more than one year is necessary because the course starts on a fixed date.

Making a hard choice

Training leave under a CFC is an offer that can also be converted into money. The decision must be taken within 30 days following notification of the offer, each person being informed in detail at an **individual interview** with the placement and advice centre (*see below*) of the various training opportunities and their content, location, nature and teaching methods, prospects (employment), but also about the other conditions, for example in the event of a move proving necessary, etc.

If the employer receives no notification of a decision within the 30-day time limit, this will be regarded as an infringement of the contract of employment. In order to avoid dismissal, this infringement is officially registered only after the issue of an invitation to attend a further interview in the presence of a third party (who may or may not be a union representative).

If an employee decides to avail himself of the offer of training leave, he will receive on the day on which his contract of employment ends

a compensatory amount corresponding to his earnings in the context of a 12-month period of CFC training leave: the maximum entitlement is equivalent to 10.92 monthly salaries prior to the entry into effect of the CFC. This corresponds to about 70 per cent of the gross income. Social security contributions are deducted. The above clause in respect of employees aged over 45 years finds application. This capitalization option is without prejudice to entitlement to other settlements or premiums.

Even if he accepts this capitalization option, the employee can still take advantage of the advice and support facilities available under the CGPS implementation structure, for instance in order to familiarize himself with in-service training options or employment opportunities.

Reemployment

On the other hand, anyone who opts for the training phase will be offered, as a general rule before or during the course, **two vacancies** which correspond to his qualifications on completion of the training. One of these should be in the same region, and thus within reasonable travelling distance of home. The new job must be permanent and in a stable company. The employee concerned will have the opportunity, if he wishes, to inspect the new workplace.

If the company fails to honour this obligation to offer two vacancies, the employee remains employed by the company.

Only when all these conditions have been met, and if the employee has not accepted any of the options offered, is the company free to

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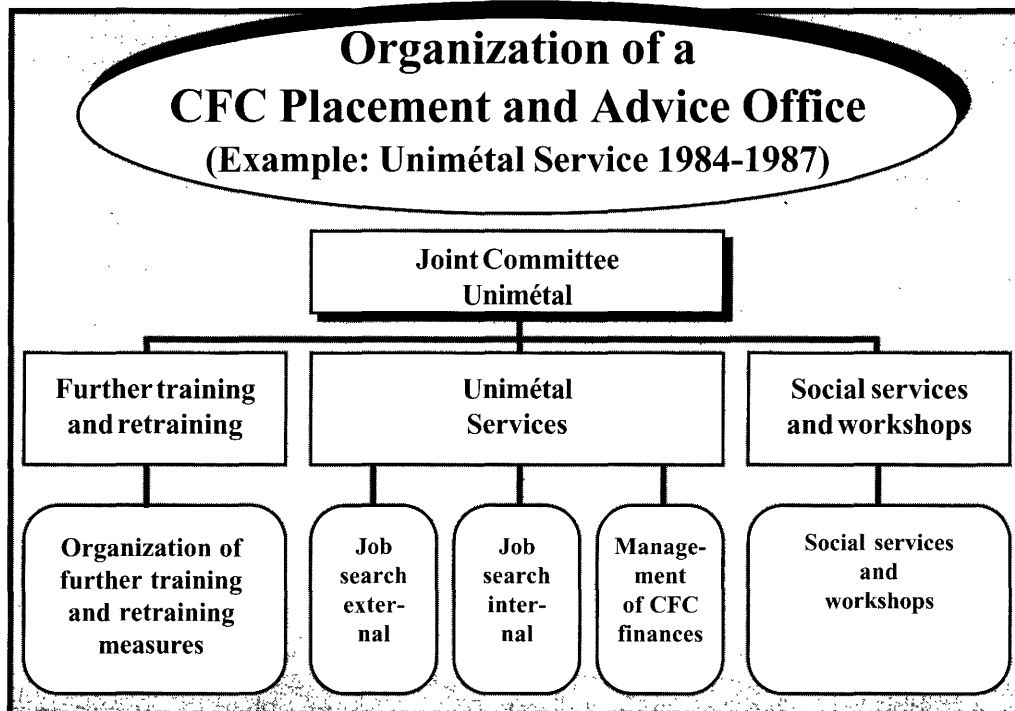
Placement and Advice Office

For the purposes of implementing the contract, an office must be set up in each works or undertaking, depending on its size, with responsibility for liaising with the other departments concerned (personnel department, Joint Committee; *see below*) on the detailed planning, preparation and implementation of training and placement in alternative employment, and on the provision of support for those on “training leave”. Its brief is as follows:

- Preparation of figures on the probable number of employees on “training leave” and the expected employment opportunities;
- Gathering of information on training as needed for placement purposes;
- Identification of the most important growth sectors in the region, and stipulation of training requirements;
- Information for employees on all questions of interest to them concerning the conversion process, in particular job opportunities, qualification options and certificates, etc.;
- Development of a training support mechanism and of means of evaluating progress made;
- Compilation of personal profiles, on the basis of an individual interview, to provide an indication of the employee’s capabilities and wishes;
- Conducting individual interviews with each employee, both initially and at a later stage, and, at the latest if no concrete prospect of placement has emerged after two thirds of the programme is over;
- Constant monitoring of opportunities for employment in the region, as well as opportunities for providing additional employment, for instance by expanding existing businesses or through the relocation of new companies;
- Individual support measures during training, in particular for employees whose existing qualifications are considered difficult to place, or whose placement appears difficult in spite of their qualifications;
- Utilization or development of the most appropriate methods of teaching and learning;
- Monitoring of all employment opportunities, in particular in the area;
- Circulation of job vacancies.

The placement and advice office (*see example on p. 6*) reports directly to the Joint Committee for the monitoring of the agreement, which is made up of representatives of the union, the employers’ association and the regional Labour Market Administration.

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terminate the contract of employment subject to observing the agreed periods of notice.

to facilitate rapid and painless integration into the new job.

Further training and retraining

The training should take place, wherever possible, at the proposed new workplace, or at least in the new area of work. Should this not prove possible, then the in-service training should be as varied as possible. It must become more job-oriented as soon as a job is in prospect.

Periods of practical experience should be provided as a fixed element of training, in order

Status and security

The employee remains employed by the company during the “training leave”. His contract of employment remains in force, the only difference being that he is not required to do his work, but simply to follow the course. French employment legislation (the *Code du Travail*) provides for a “situation of partial unemployment” (*situation de privation partielle d'emploi*).

The employee receives a payment equivalent to 70 per cent of his gross income, less contributions to unemployment and pension insurance funds. All insurances (accident and sickness insurance) remain in force. The period of training is credited in full to the anticipated pension entitlement. The employee's holiday entitlement also continues. Also retained in full are the active and passive in-house voting rights.

In the event of the new job providing an income of less than 90 per cent of the previous income, a bonus of 20 000 francs will be payable.

Employees who, in the course of the first year of their reemployment in another company, once more lose their job for no fault of their own are entitled to be offered new employment opportunities and to take advantage of the other services provided by the CFC placement and advice office.

The Joint Committee

Committees (as a general rule tripartite) were set up at regional level, and to some extent also at company and group level, to provide backup for the application of the CGPS in general and the CFC in particular. They were made up equally of representatives of the contracting parties (unions, employers' associations) and, at regional level, representatives of the Labour Market Administration. Of particular interest is the regional committee, because coordination at regional level is frequently neglected. **The task of the Joint Committee at regional level** was:

- to ensure transparency of information at all levels;
- to draw up and monitor a uniform regional strategy for the application of the agreement;
- to place job cuts and the related support measures in a more detailed context of reindustrialization and reemployment in the region.

Notes

Reindustrialization

As in the coal mining industry, the nationalized French steel industry has also set out to create new jobs to compensate for the massive redundancies in the areas dominated by it. In 1982-83, "industrialization companies for the steel industry" (*Sociétés d'Industrialisation de la Sidérurgie*, SODIS) were established. Under the overall financial and organizational responsibility of the Board of USINOR SACILOR, but enjoying a high degree of autonomy, they take on **responsibilities for the promotion of business and employment** in the area, in conjunction with the local chambers of trade and industry:

- developing local industrialization projects;
- collection and supply of information in respect of companies prepared to relocate;
- attracting interested companies to the region;
- creating optimum conditions to promote employment for ex-steelworkers;
- provision of support and help for young companies and new businesses which have received start-up help, by providing access

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to management skills or the appropriate training;

- organizing financial support for new business start-ups.

In addition, the Board of the steel group runs major projects at places outside the regions, but in their vicinity.

According to details supplied by the four regional SODIS, around 26 800 new jobs were created through their activities in the period from 1983 to 1989.

Persons setting up new businesses

Special emphasis was given for a time to support for ex-steelworkers setting up new businesses or taking over existing businesses. Because of the money available under the CFC alternative scheme, though, the following pre-

cautions were incorporated to head off excessively risky ventures (*see the graph on page 4*):

- a course on the fundamentals of business administration and company management;
- warnings against embarking on financial adventures;
- check on contractually agreed securities, for example in conjunction with sub-contracts or contracts with sales and marketing companies;
- establishment of an advice centre for persons setting up new businesses;
- help in obtaining back-up funding;
- help in obtaining suitable premises or buildings.

A total of 1 523 businesses were established or taken over in the period 1983-89.

Notes

Model:

Social plan

A social plan is the sum of all arrangements which must be agreed in writing and implemented between an employer and a Works Council, in order to minimise the economic effects on the workforce of a major change in the business.

Social plans play a central role in German industrial relations. Because a social plan is required by law only in those companies or works with a regularly elected Works Council, such plans are a very important reason for electing a Works Council. The Works Council is a body that is elected directly and by secret ballot by all the employees of a company to represent their interests. In company crises, social plans are the essential instrument for protecting employees from harm. The “Social Plan” dates as a legal institution in its present form from the amendment of the *Betriebsverfassungsgesetz*, BetrVG (Works Constitution Act) in 1972.

According to § 111 of the BetrVG, the employer is required to notify the Works Council, in good time and in detail, of any planned changes in the business which will have major economic repercussions for a significant proportion of the workforce.

Changes in the business include the reduction in size and closure or transfer of plants or major parts, including mergers with other plants; they also include fundamental changes

in the organization of the business or the introduction of totally new working methods and production processes.

Notification of the Works Council in good time means that the Works Council must be given an opportunity to form an opinion within a reasonable period and to submit counter-proposals or alternatives. For this purpose, it may consult experts (including external experts) at the expense of the company. This entitlement can be claimed before an industrial tribunal and a ruling given in chambers.

Notification in detail means that the employer must disclose details of the economic reasons and objectives of the planned changes and the social and personal consequences associated with them, and that he must make all necessary documents available (i.e. hand them out). The risk to company or business secrets is not accepted as a reason for withholding such information from the Works Council.

In the event of a change in the business, the parties to the “industrial constitution” (management and Works Council) can reach an **accommodation of conflicting interests** in respect of the purely economic modalities of this change in the business and can, in addition, formulate a **social plan** in respect of the “*reconciliation or reduction of the economic repercussions for the employees resulting from a planned change in the business*” (§ 112). Where these agreements cannot be reached voluntarily, a decision will be taken by the conciliation board, a joint body with an impartial chairman, at which the employer and the Works Council must reach agreement, failing which the matter will be decided by an industrial tribunal. The social plan has the status

Germany

E13 is based on case studies by Rainer Lichte and Jürgen Schultze (Steel) and by Rainer Ollmann and Oliver Steigerwald (mining)

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of a **plant-level agreement**, i.e. it is immediately binding and mandatory.

These provisions of the German Works Constitution Act in its version of 1972 were at least inspired by, if not derived directly from, a policy already well established in the mining and steel industry, which was initially applied and further developed in the coal mining sector (from 1956) and subsequently (from 1962) in the steel industry. A standard set of social planning instruments was developed on the basis of this practice in the German coal and steel industries.

A typical mix of measures in a social plan for the steel industry, and another for the coal industry, are presented below, together with examples.

A social plan for the steel industry

Early retirement is the focal point of current social plan practice, which is why it is described here in greater detail. Granting early retirement is an alternative to dismissing workers affected by changes in the company and awarding them compensatory payments for any resulting disadvantages. It is open to employees in a certain age group, irrespective of whether they are directly affected by the change. Another difference is the **replacement principle**, whereby (*see the box on page 7*) older workers leave so as to increase the chances for the employment of younger people. They receive compensatory payments aimed at preserving their standard of living and at avoiding unreasonable hardship.

What does a social plan cover?

1. Transfers
 - within the company
 - to another site
 - in another company
 - wage guarantees and training
2. Dismissal/termination of contract of employment
 - severance payments/compensations
 - leave of absence
 - other benefits (e.g. anniversary payments, works pension)
3. Retraining
4. Early retirement
 - compensatory payments until commencement of the pension
 - compensatory payment for pension reductions
 - holidays and other entitlements
5. Right to live in tied housing

When it was first used in 1963, early retirement was applied to those aged over 63 years. The age limit was then reduced progressively to the level of 55 years in the steel industry and 50 years in the mining industry (as applied during the crisis in the 80s).

A social plan normally also features arrangements intended to avoid the erosion of living standards and economic hardship (at least for a limited period) and to open up new opportunities on the internal or external employment market. These are applied in the event of transfers within the company or to other sites and to other companies, in the case of dismissal, or in the case of retraining for another activity. A

number of these measures are supported by the companies with funding provided under the ECSC Treaty (as a rule 50%), which the employees entitled to receive the benefit take with them to the new company. The other half is met by the state (Federal Government) and the company.

Arrangements for early retirement

Early retirement and its various forms are dependent on the social policy framework of the Federal Republic of Germany, in particular the statutory pensions insurance fund (GRV), unemployment insurance and the Works Constitution Act. These regulations are supplemented by the directives of the Treaty on the European Coal and Steel Community.

In the interests of clarity, the social policy framework in the Federal Republic of Germany and the directives of the ECSC Treaty are first outlined below, and are then explained in relation to four typical cases.

Social policy framework in the Federal Republic of Germany

The social policy framework in the FRG consists largely of the statutory pensions insurance fund, the *Arbeitsförderungsgesetz* (Labour Promotion Law) and the Works Constitution Act. The arrangements in question (as they are valid in 1991) are outlined only roughly here, because they have been constantly updated in recent years, and because the scope available for regulation was thus different in the past.

1. Statutory pensions insurance fund (GRV)

The beneficiary receives from the statutory pensions insurance fund (GRV) an old-age pension (retirement pension), the level of which is in principle dependent on personal factors (number of years worked and additional years credited, and level of income) and on general factors (annual increase on the basis of federal legislation).

According to the provisions of the Social Security Code (*Sozialgesetzbuch*, SGB), the following are the **age limits for claiming**:

1a. 65 years for the statutory old-age pension (§35 SGB VI). This is subject to satisfying the general qualifying period (§50 I SGB VI). The qualifying period of five years (§34 I SGB VI) is the stipulated minimum insurance period in each case.

1b. 63 years for the early old-age pension for the long-term insured (§36 SGB VI). The qualifying period in this case is 35 years. (This old-age pension is less than 1a, because of the missing two years of service).

1c. 60 years for the severely handicapped and those who are incapable of working in an occupation or profession (§37 SGB VI). The qualifying period is 35 years. Registration as severely handicapped or incapable of working in an occupation or profession is necessary.

1d. 60 years for the old-age pension for women (§39 SGB VI). The qualification period in this case is 15 years or, after reaching the 40th birthday, more than 10 years' compulsory insurance contributions.

1e. 60 years for the old-age pension on grounds of unemployment (§38 SGB VI). The

Notes

Examples

Typical individual examples on the basis of the statutory regulations (GVR), the Labour Promotion Law (AFG) and the Works Constitution Act (BetrVG) and the ECSC directives, §13 Severance and §14 Transitional Aid are (no account is taken of changes in income brought about by collective agreements or statutory regulations):

Example 1:

Retirement at the age of 65 for men

The employee is employed in the company up to the age of 65 and then receives his old-age pension via the GRV (statutory pensions insurance fund).

Example 2:

Early retirement at the age of 63

The employee is employed in the company up to the age of 63 and then receives his old-age pension via the GRV (statutory pensions insurance fund).

Example 3:

Early retirement at the age of 59 for men

The company serves notice on the employee at the end of his 59th year. The employee cannot be placed in a new job, and he receives unemployment benefit (ALG) for a period of one year. Then, from his 60th birthday, he receives unemployment benefit via the GRV. For the first year, i.e. the period of unemployment, the following monthly payments are made (in DM) to provide an income guaranteed by the social plan (in the example: DM 2 170.63) at an assumed 90 per cent of the net income:

Month	ALG	MUV	Compensatory payments by the company	Guaranteed income
1-12	1479.40	0	691.23	2.170.63

conditions here are unemployment for 52 weeks within the last 1.5 years prior to drawing the pension and 8 years' contributions out of the 10 years preceding the pension, and a qualifying period of 15 years.

1f. 60 years for the *old-age pension for miners employed underground* (§40 SGB VI). The qualifying period in this case is 25 years.

2. Unemployment insurance in accordance with the Labour Promotion Law (AFG)

The level of unemployment benefit (ALG) is up to 63 per cent of the previous net income (11 I No. 12, 1 AFG), or 68 per cent if there are children living at home who are maintained by the beneficiary, for a maximum period of 32 months. Thereafter, the unemployment benefit is paid at a rate of up to 53 per cent (58% where there are dependent children), although this is means-tested in addition.

The **period for which full unemployment benefit is paid** is graduated as follows, depending on age:

up to 42 years: max. 12 months;

above 42 years: max. 18 months (in employment for 36 months in the last 7 years);

above 44 years: max. 22 months (in employment for 44 months in the last 7 years);

above 49 years: max. 26 months (in employment for 52 months in the last 7 years);

above 54 years: max. 32 months (in employment for 64 months in the last 7 years);

Regulation 1e was applied to the steel industry as the basis for early retirement. This required the person concerned to remain un-

employed, and was thus a *tacit arrangement with the employment office* to dispense with attempts at placement for this group of people.

3. Works Constitution Act (BetrVG)

In addition to the security provided for the individual through the pensions and unemployment insurance funds, the German Works Constitution Act (BetrVG §112) also provides for an accommodation of conflicting interests to be reached in the event of changes in the company with considerable repercussions for the employees, for instance in the case of mass redundancies. If no agreement can be reached voluntarily between the employer and the Works Council, §112 BetrVG regulates political agreement between the two sides with regard to social security in the event of a planned change in the business under the “social plan”. Under the social plan, arrangements to cushion the consequences of a planned change in the business are agreed. It can serve as the basis for individual claims on the company by employees.

In addition to dealing with questions concerning transfers, terminations with severance pay and training measures, a social plan can also address the “early pension” option. The aim here is to regulate compensatory payments in addition to the general statutory entitlements such as unemployment benefit. In addition to regular payments to top up the unemployment support, compensatory payments can often be agreed in respect of unpaid contributions, such as to the health insurance, pension insurance and accident insurance funds. The level of the compensatory payments is the

**Example 4:
Early retirement at the age of 55 for men**

The company serves notice on the employee at the end of his 55th year. The employee is unemployed for five years and is not placed in a new job. He receives full unemployment benefit (ALG) for a maximum period of 32 months, followed by the lower rate of unemployment benefit. Then, from the age of 60, he receives an old-age pension via the GRV. The period of unemployment is as follows, for the same data as in Example 3, and with supplementary payments in accordance with §13 VII MUV-RL (severance pay, payable as a lump sum following dismissal for the period of 12 months) as a one-off payment of DM 6000 in the first year (payment is extended over 4 months in the example), and in accordance with §14 MUV-RL amounting to 50 per cent of the payments by the company in the following years:

Month	ALG	MUV	Compensatory payments by the company	Guaranteed income
1st year				
1	1479.40	4167.23	0	5646.63
2	1479.40	691.33	0	2170.63
3	1479.40	691.33	0	2170.63
4	1479.40	450.31	240.92	2170.63
5-12	1479.40	0	691.23	2170.63
2nd year				
1-6	1479.40	0	691.23	2170.63
6-12	1350.60	427.52	427.52	2170.63
3rd-5th year				
1-12	1350.60	427.52	427.52	2170.63

Notes

result of political settlements between the employer and the Works Council. *They have fixed targets, such as about 85 per cent of the last net annual wage, 90 per cent of the last net monthly wage, or are set out in tables which vary the amounts according to the length of service or the level of earnings.*

**Beispiel 5:
Saar Steel Foundation
(Stahlstiftung Saar)**

The Saar Steel Foundation is a special case, because it is more detailed than normal social plans. Although it serves as an example of a social plan, it is nevertheless presented separately (*see E14*).

Notes

A social plan in the coal mining industry

Social plans in the German coal mining sector differ in a number of respects from those in steel or in other sectors. This concerns not only the specific mix of measures, but also has to do with a series of **special conditions**, for which equivalents exist to some degree in other countries.

- On the one hand, colliery closures have been managed in a socially acceptable manner for almost 40 years now, resulting in a major fund of experience.
- In addition, codetermination in the coal and steel industry in conjunction with the practical application of the Works Constitution Act (*see p. 1f. and 5f.*) has created a special climate for crisis management by consensus.
- Finally, the pension and health insurance conditions in the mining sector differ from those in other sectors.

Instruments of crisis management

Summary of instruments

In addition to the “**replacement arrangement**” (whereby older employees make way for their younger counterparts), it is above all else the comprehensive financial aid offered to employees which makes the process of change socially acceptable and largely avoids social

The replacement principle

The “**replacement principle**” is an important factor for the practical implementation of the adjustment programmes in the German coal mining industry. Older workers are able, from the age of 50, to claim an adjustment allowance enabling them to take early retirement, so as to bridge the period until they meet the conditions entitling them to receive the compensatory payment (KAL) and to allow a younger colleague to remain in the mining industry. Only by resorting to this principle is it possible to recruit a strictly limited number of new young people to the workforce each year. It is becoming increasingly difficult to find older miners to take early retirement, however, since the average age of those employed underground is already less than 34 years. The replacement principle was also extended by agreement to the brown coal (lignite) mining industry.

hardship. The most important financial instruments in this respect are **adjustment assistance** and the **mineworkers’ compensatory payment**. In addition to this **range of instruments**, the process of socially acceptable crisis management in the German coal mining industry was backed by:

- individual company strategies for new business starts and the retention of jobs;

Notes

Strategies and instruments for crisis management in the German coal mining industry

Steady reduction in output and in numbers employed

Economic instruments

- Establishment of consolidated pits (see E3)
- Strategies for retaining and creating jobs through new business starts and diversification (see E3)
- Cooperation between pit and mining companies

Social instruments

- Application of the "replacement principle"
- Transfers to other pits
- Financial assistance for redundant mine-workers
- Training programmes
- Social assistance for those affected, in particular the retention/procurement of housing

Codetermination in the coal and steel industry and the Works Constitution Act as the bases for consensus-oriented crisis management

- broader cooperation strategies, such as between *Rheinbraun* and the *Eschweiler Bergwerks-Verein* (EBV);
- training programmes and measures for the placement of employees in other sectors;
- comprehensive company support services on housing.

An example of the practical and successful application of such a package of strategies and measures is the *Aachen Model* (see p. 14 and E3. *Ruhrkohle AG*) under the management of the *Eschweiler Bergwerks-Verein*. Important accompanying framework conditions are the long periods (almost four decades) available for managing the crisis, and the cooperation of all major players in the context of a "concerted action" for crisis management. **Joint codetermination** was a fundamental condition for this.

Financial measures

Article 56 of the Treaty establishing the European Coal and Steel Community (see A2), dating from 1958, is an important basis for financial aid. The Treaty initially provided for aid to be made available to redundant or transferred employees in the form of tideover allowances, resettlement allowances, temporary lay-off allowances, assistance with removal expenses and the refunding of travel costs only in conjunction with closure and partial closure measures. This was subsequently extended to instances of rationalization.

One important innovation for the older employees, who are difficult to place on the employment market, was the introduction of the **miners' compensatory payment** (KAL) in

1963 through §98a of the *Reichsknappschaftsgesetz* (National Miners' Act). The KAL is purely a special payment for underground workers with many years' service. Where the appropriate conditions exist, miners are able, on completing the period of entitlement for their miners' pension, to draw the KAL (for a maximum period of 60 months). The KAL thus bridges the period up to the start of payment of benefits from the miners' pension insurance fund. It thus corresponds closely to an "early pension", although it is not defined as a pension. More than 21 000 miners were receiving such payments in the mid-80s, although the numbers receiving KAL have fallen year by year since then.

Finally, a further important instrument is the **severance pay directives** dating from 1967, under which younger employees also receive severance pay from the public purse in the event of redundancy due to closure.

The **adjustment allowance scheme** was introduced in 1972 on the basis of the Treaty establishing the European Coal and Steel Community with, in combination with the KAL, extremely wide-ranging social security for older employees in the event of job losses due to rationalization. Where the conditions are met, underground workers reaching the age of 50, and surface workers reaching the age of 55, are entitled to receive this pension-like benefit. The adjustment allowance continues to be paid for as long as the entitlement either to the KAL or to the miners' pension remains in force. The Federal Office for Economic Affairs is responsible for the payment of adjustment allowance benefits.

These benefits are supplemented by considerably improved **support payments by companies** embodied in the social plan, which provide *inter alia* for the topping-up of the adjustment allowance. Even after two decades, the adjustment allowance in conjunction with the KAL or the old-age pension is still the most important form of rationalization benefit and, as such, is the most effective instrument for crisis management in the German coal mining sector. Tideover allowances, on the other hand, have declined in significance over the years.

Social aid

Natural turnover resulting from **voluntary resignations** is a particularly important factor for workforce reductions in the coal mining industry. Because of the precarious situation, many miners leave the pits at their own risk, as a general rule with severance pay. Because of the very good training in the mining sector and the **training programmes** aimed specifically at the regional employment market, skilled workers from the coal mining industry represent an interesting source of labour for other sectors. For example, the builders' association in North Rhine-Westphalia is prepared to engage around 2 500 new workers each year, with preference being given to ex-mineworkers. There are also likely to be models whereby employees from the coal mining industry who take advantage of the offers of employment by the building industry are "supported" in their new jobs. *Ruhrkohle AG* and the *Industriegewerkschaft Bergbau und Energie* (IGBE) (mining and energy industry union) make a particular point of the need for wage adjustment during the period of retraining.

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Pit-level agreement on the “Minister Stein” social plan

With a view to the socially acceptable closure of “Minister Stein”, a social plan to take effect on 31.5.1986 was agreed between *Ruhrkohle AG* and the Works Council at Minister Stein and the overall works council of *Bergbau AG Westfalen*. The benefits stipulated therein include adjustment allowances provided by the Federal Government and the Commission of the European Communities, as well as company benefits and other measures. Mine-workers were granted:

1. Adjustment allowances from the public purse

- allowances to safeguard the livelihood: wage subsidy on reemployment, tideover/transitional allowance in the event of unemployment;
- allowances for those taking up external employment in the form of travel cost refunds (for a maximum of one year), reimbursement of removal costs and help with furniture and fittings costs, as well as severance pay and refunds of visits home to the family;
- a one-off payment of DM 2 000 or DM 4 000, depending on circumstances, in place of a wage subsidy or tideover allowance; and
- a one-off domestic fuel payment of DM 240 (DM 120 for miners without a household of their own).

2. Company benefits for transferred employees

- company wage subsidies and removal allowance;
- an “introductory shift” on full pay;
- reimbursement of travel costs and removal costs, and a furniture and fittings allowance;
- rent allowance.

3. Company benefits for redundant workers

- wage subsidies or supplements to the tideover allowance;
- a company settlement of not more than 2.5 monthly gross salaries and a minimum payment of DM 3 000 (for more than 20 years’ service in the coal mining industry);
- the right of abode in housing owned by the company, even in the event of a change in ownership, and continued rent reductions for a period of three years;
- domestic fuel at a reduced price;
- the granting or payment in lieu of holiday with pay, collectively agreed holiday allowances, Christmas bonus and other payments.

The individual benefits under the social plan are partly set off against one another. *The accounting models correspond to social plan practice in the steel industry (see E13, pp. 4+5).*

A further social aid takes the form of **security of tenure** offered to those miners who live in one of the many apartments owned by the company (see examples of "crisis careers").

Examples

Max Dressler

Born 1931, married, with one daughter. A trained fitter, he started work in 1952 at the "Tremonia" coking plant operated by the Gelsenkirchener Bergwerk AG. He was transferred to the "Minister Stein" coking plant in 1953. Following a successful course at the Technical Evening School, he was appointed to the salaried staff. He was promoted to second foreman in 1961, and to first foreman in 1963 at the coking plant. He left on 31.10.1987 as a part of the closure of the "Minister Stein" coking plant, under the provisions of the social plan. His last monthly salary (including pro rata holiday pay and Christmas bonus) amounted to a gross DM 6 750 (net: DM 4 010).

Dressler receives an adjustment allowance of DM 3 267 net, which is adjusted each year on 1 July to take account of the general increase in pensions. Responsibility for contributions to the health insurance fund and higher pensions insurance for salaried staff lies with the Federal Office for Economic Affairs. When he left, he received a tax-free payment of around DM 13 330 and a bonus of around DM 8 800 (for 40 years' service). Since his 60th birthday, he has received an old-age pension of DM 4 079 gross; this leaves him with a net amount of

Example 1: **"Minister Stein" Mine**

The closure of the renowned "Minister Stein" mine in 1987 not only marked the end of 112 years' production, but also the end of more than 700 years of mining in the city of Dortmund. The "Minister Stein" and "Fürst Hardenberg" mines had already been merged

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Alois Markscheider

Born 1939, started work in 1960 as a brick-layer at the "Hansa" pit. In order to improve his earning potential, he trained as a face worker, passing his face worker examination in 1966. Following the closure of "Hansa", he remained employed there on a project, and was transferred in 1980 to the "Minister Stein" mine. He worked here as an underground instructor. He received a transfer payment of DM 4 500 and was entitled to use the free works bus for travelling to and from work. When the underground training at "Minister Stein" was discontinued, Markscheider was transferred to the "Haus Aden" pit as an instructor, and received a monthly travel allowance of DM 150 (although no further transfer payment was made).

In 1989, he left at the age of 50, when his final gross wage was around DM 3 800. In addition to the adjustment allowance of DM 2 100 net and a company supplementary payment of DM 380, he also received a one-off tax-free payment of DM 9 250. On reaching the age of 55, the adjustment allowance is replaced by the miner's compensatory pension (KAL). From the age of 60, he is entitled to draw a regular miner's pension.

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in 1960 as a part of the regional adaptation measures. Total production from the “Minister Stein/Fürst Hardenberg” combine between re-commissioning after the war until its closure was approximately 94 million tonnes. The total workforce of the combined pit was 3765 in 1985. Finally, at the end of 1987, 331 persons were still employed there, though exclusively in the “Environmental Engineering” division.

As early as the late 1960s, “Minister Stein” was developing into one of the least profitable pits operated by RAG. Profitability calculations in early 1986 ultimately led to its closure. The run-down of production then took place on a phased basis. The central element of the negotiations was the agreement to draw up a social plan (*see chart next page*).

The two examples (*the names are fictitious*) illustrate the effect of the social plan on the people concerned (*see p. 11*).

Example 2: “Consolidation/Nordstern” consolidated mine

The “Consolidation/Nordstern” mine is situated in the municipal area of Gelsenkirchen in the north-west of the Ruhr region. The number of persons employed there at the end of 1990 was 4 268 (of whom 434 junior staff in training), who achieved an average daily production volume of almost 9 800 tonnes. A decision was taken by the supervisory board in the middle of 1988 to merge the “Consolidation” and “Nordstern” pits into a single combined mine, the intention being to reduce annual

production to around two thirds of the initial production volume. A further merger between the “Consolidation” pit and the “Hugo” pit is envisaged.

The **primary aim** of crisis management was and is to **avoid conflicts** between companies and their workforce, such as arose prior to the closure of the “Zollverein” mine. The Works Council was included in the planning from the start for this reason. The job reduction programme also involved weekly discussions with the employees’ representatives. The new adjustment concept provides for employees to be given early retirement first, and only then for transfers to be made or offered.

The idea is to keep the number of transfers as low as possible, since the burdens associated with a transfer (loss of social environment and greater distances to the place of work) bring with them a large number of additional problems, e.g. an increase in sickness rates. All merger plans are coordinated in a **“neutral” committee**, made up of the **personnel directors, the chairman of the Works Council and his deputy, and the establishment officers** of the “Consol” and “Hugo” mines.

Continuous and transparent information and personnel policies have emerged as important factors in successful crisis management in conjunction with the creation of the “Consolidation/Nordstern” pit, as have wide-ranging aid measures in connection with the search for and provision of housing.

Nevertheless, there are still a few **serious problems**:

- The entire management team is too old, with the result that **exceptions** must be

"Crisis careers"

Karl-Heinz Schneider

50, married, with two children. A face worker, his last net earnings (incentive pay for piece-work) at the "Zollverein" mine were DM 2 670. When the "Zollverein" mine was closed down, he was transferred to the "Nordstern" mine and received a transfer allowance of DM 4 500. After the closure of "Nordstern", he was first employed at the newly created "Consolidation/Nordstern" combined mine, but subsequently had to retire at the age of 50 in conjunction with the further reduction in the workforce.

made for **management** in the rules governing early retirement. It is important for such exceptions to be accepted by all sides.

- A further problem is **substantially lower productivity** under ground as experienced teams are broken up. The inescapable consequence is a decrease in daily output.

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Schneider receives an adjustment allowance of DM 2 400 net and a company supplement of DM 198 until his 55th birthday. The adjustment years in this case count towards his pension contributions; contributions to the health insurance fund are paid by the Federal Office for Economic Affairs. He also receives severance pay amounting to DM 27 000 after 35 years' service in the mining industry. Because he worked underground, he receives an additional special adjustment allowance amounting to DM 300 monthly, which, attracting interest at 7 per cent, is due for payment after the age of 55. Upon reaching the age of 55, Schneider will also receive a miners' compensatory payment of DM 2 530 net. From the age of 60, he is entitled to draw a regular miner's pension of approximately DM 3 300.

Mehmet Özgal

Turkish mineworker Mehmet Özgal is considerably worse off than his colleagues, although the situation is ostensibly the same. Because of his shorter period of insurance contributions (23.25 years), he will initially receive an adjustment allowance of only DM 1 600, although this will be topped-up by a higher company supplementary payment of DM 998. Özgal will accordingly also receive a total of DM 2 598. He will suffer greater losses than his German colleague from the age of 55, however. Because of his much shorter period of insurance contributions in Germany, he will receive a net miners' compensatory pension of only DM 1 780. On reaching the age of 60 years, he will then receive an old-age pension of DM 2 200.

Notes

- One particular problem associated with the transfer of workers to other mines concerns the **high proportion of foreign workers** (41.8% of the underground workforce at “Consol”), and in particular Turkish miners. Transfers are often hindered by a higher rate of sickness and problems relating to the integration of this particular group of employees.

Example 3: The “Emil Mayrisch” mine The “Aachen Model”

The closure of the “Emil Mayrisch” mine operated by the *Eschweiler Bergwerks-Verein* (EBV) was and is associated with a range of measures aimed at making the process of change in the Aachen mining industry as socially acceptable as possible and at promoting business and jobs in the Aachen region.

This crisis concept, which is also known as the “**Aachen Model**” (see also E3), was developed by the EBV with the involvement and guidance of “*Rheinbraun*” (a lignite mining company on the Lower Rhine), the Chamber of Trade and Industry (IHK) and the Aachen Industrial Development Board, when it became clear that the closure of “Emil Mayrisch” could no longer be avoided.

The approach adopted for employees affected by the closure provides for the following **measures**:

1. Transition to adjustment (early retirement from the age of 50 at the earliest);
2. Transfer to the “*Rheinbraun*” lignite mining company;

3. Transfer to other pits operated by Ruhrkohle AG, which has taken a majority interest in the EBV;
4. Move to another company in the Aachen region, for which purpose special support is provided for the hiving-off of business ventures under the “*Beteiligungsgesellschaft Aachener Region*” (joint venture company for the Aachen region).

The recruitment of EBV employees by “*Rheinbraun*”, i.e. a **joint solution between the hard coal and brown coal sectors**, is an important alternative to the process of normal adjustment and natural wastage. Going on for 800 employees had been recruited by “*Rheinbraun*” by the end of 1992. A further 300 employees have been offered employment, and applications for transfer by some 200 others are being considered at this time.

The **advantages for employees** of the “Emil Mayrisch” mine of being employed by “*Rheinbraun*”, unlike a transfer to other coal mines, are clear:

- They do not have to travel as far to work. **The daily journey to work is shorter.**
- The **need to move house can be avoided.** Many employees can continue to live in company housing.
- **Working conditions in the open-cast mining sector are better** than those underground.
- **Earning opportunities tend to be better.**
- The agreement with “*Rheinbraun*” offered the workforce of “Emil Mayrisch” the **prospect of secure employment**, even after the closure decision, so that many highly qual-

ified employees, who might otherwise have left of their own accord, were retained (by the middle of 1992, around 1 500 employees had resigned of their own accord).

The **advantages** of this “joint solution” for “*Rheinbraun*” are:

- Inclusion of the “*Rheinbraun*” workforce in the “replacement concept”, enabling the **average age of the workforce to be brought down**.
- Older “*Rheinbraun*” employees can leave with the entitlements to benefits agreed for the hard coal mining sector, to make way for the recruitment of younger EBV employees.
- The availability of well-trained and **highly-qualified skilled workers**. One problem group is made up of severely under-qualified and/or severely handicapped persons, for whom replacement jobs are hard to find.

In order to facilitate transfers of EBV employees to other companies in the Aachen region, the “*Beteiligungsgesellschaft Aachen-er Region (BGA)*” (Joint Venture Company for the Aachen Region) (see E3) was established, at present comprising around 20 companies from non-mining sectors. On the other hand, encouragement is being given to the hiving-off of individual EBV functional areas. One example of this is the “*Industrietechnik*” company, which was formed from the former (maintenance) workshops of the “Emil Mayrisch” mine with around 150 employees.

In addition to these alternatives in the Aachen region, the workforce of “Emil Mayrisch” also had the opportunity to transfer to

other pits operated by *Ruhrkohle AG*, such as those on the left bank of the Lower Rhine. This opportunity was accepted by around 300 members of the workforce, who were transferred to the “Sophia Jacoba” mine at Hückelhoven, and who will reach the age of 50 by no later than 1997, so that they can then take adjustment. A further 600 miners have agreed to accept a move to various other pits operated by the RAG. Surface workers were offered jobs in Dortmund, Essen and Herne.

Success factors in crisis management

The successful management of the long-term and deep-rooted crisis in the German coal mining industry can be attributed to the correct mix of a number of factors. A situation like this will never occur again, which means that the “coal crisis management model” can never be applied lock, stock and barrel to any other situation.

Important **framework conditions** at company level and above - and at the same time central success factors - certainly include the following:

- extensive financial support for the company and its employees;
- the long period available for crisis management;
- the application of the “replacement principle”;
- massive political pressure;
- the systematic training policy pursued in particular by the IGBE (mining and energy industry union); and

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Crisis careers**Robert Knorz**

Born 1966, employed underground at the "Emil Mayrisch" mine since 1984 after training as a fitter. Following the closure announcement, he was not prepared to accept a transfer to the Ruhr for private reasons. He decided instead to accept an offer from Rheinbraun. He moved at the end of 1990 to the Tagebau Gruppe West opencast mine at Hambach, and the journey from home to the place of work only increased from 7 km to 20 km. Knorz receives company severance pay of DM 3 000. He started work at Rheinbraun at a basic wage of DM 2 580 gross, and continued to pay miners' pension and sickness contributions. In 1991 he took a job as driver of a large-capacity loader. His monthly earnings increased to about DM 2 700 net, including alternate shift-working bonuses and overtime. Knorz is receiving training as a large-capacity loader driver at the present time. Once he has successfully completed his training, he will be employed as a loader driver on the second largest bucket wheel excavator at the Hambach opencast mine, when he will fall into Wage Group 7, which will further boost his earning potential.

Gerhard Isensee

Born in 1949, married with one child. He was employed as a face worker until the end of 1983, and then as a gang foreman at the "Anna" mine. Following its closure, he found employment as a gang foreman at the "Emil Mayrisch" mine. His most recent wage on a

piece-work basis was DM 3 480 gross. After the closure of "Emil Mayrisch", he was transferred at the start of 1993 to the RAG's "Niederberg" mine at Neunkirchen-Vlyn (Morsers). There he was given a contract of employment as a face gang foreman. He is entitled to receive various compensatory payments under the social plan: reimbursement of daily travel costs, removal costs, separation allowance and trips home to be with his family. The benefits set out in the company part of the social plan provide for the payment of company wage subsidies, an introductory shift on the day of the transfer, travel costs, a furniture and fittings allowance and a rent allowance.

Matthias Prösterchen

Aged 42, employed at EBV following an electrician's apprenticeship, initially as an underground electrician, and later, after completing a course at the mining training college, as a foreman electrician. He has been unable, for reasons of health, to be employed on underground work in recent years, and he became a commercial staff employee on completion of an administrative training course. In conjunction with the closure of "Emil Mayrisch", he was offered a position as a member of the administrative staff at the Bundesknappschaft (Federal Miners' Insurance Fund) in Aachen. His last net salary at the EBV was around DM 3 200, and his starting salary at the Federal Miners' Insurance Fund was about DM 1 000 less. On the basis of the social plan, however, he receives a monthly supplement of DM 800 for a period of four years.

- cooperation between all the major players - RAG board members, labour directors, workforce, IGBE, and the Federal Government, etc. - with regard to crisis management.

These structural success factors are supplemented by **company-specific strategies**. The most important guidelines for successful local crisis management include, above all, a **transparent information policy and a continuous, confidence-building personnel policy in the context of codetermination in the coal and steel industry**. This is important in achieving consensus and forms the basis for constructive cooperation between management, employee representation and external interest groups. In addition, the **comprehensive aid measures** provided for employees “after adjustment”, for instance with regard to retraining measures or when looking for housing at the new place of work, are major factors in crisis management. In the context of **codetermination in the coal and steel industry**, it is above all the **labour relations directors** who play a major role in successful crisis management programme based on consensus.

Company-specific **conflict management** accordingly takes place **on two levels**. These are:

- the negotiation of company-specific adjustment strategies; and
- the individual implementation and explanation of these adjustment measures, taking into account the personal situation of the employee concerned, at individual interviews.

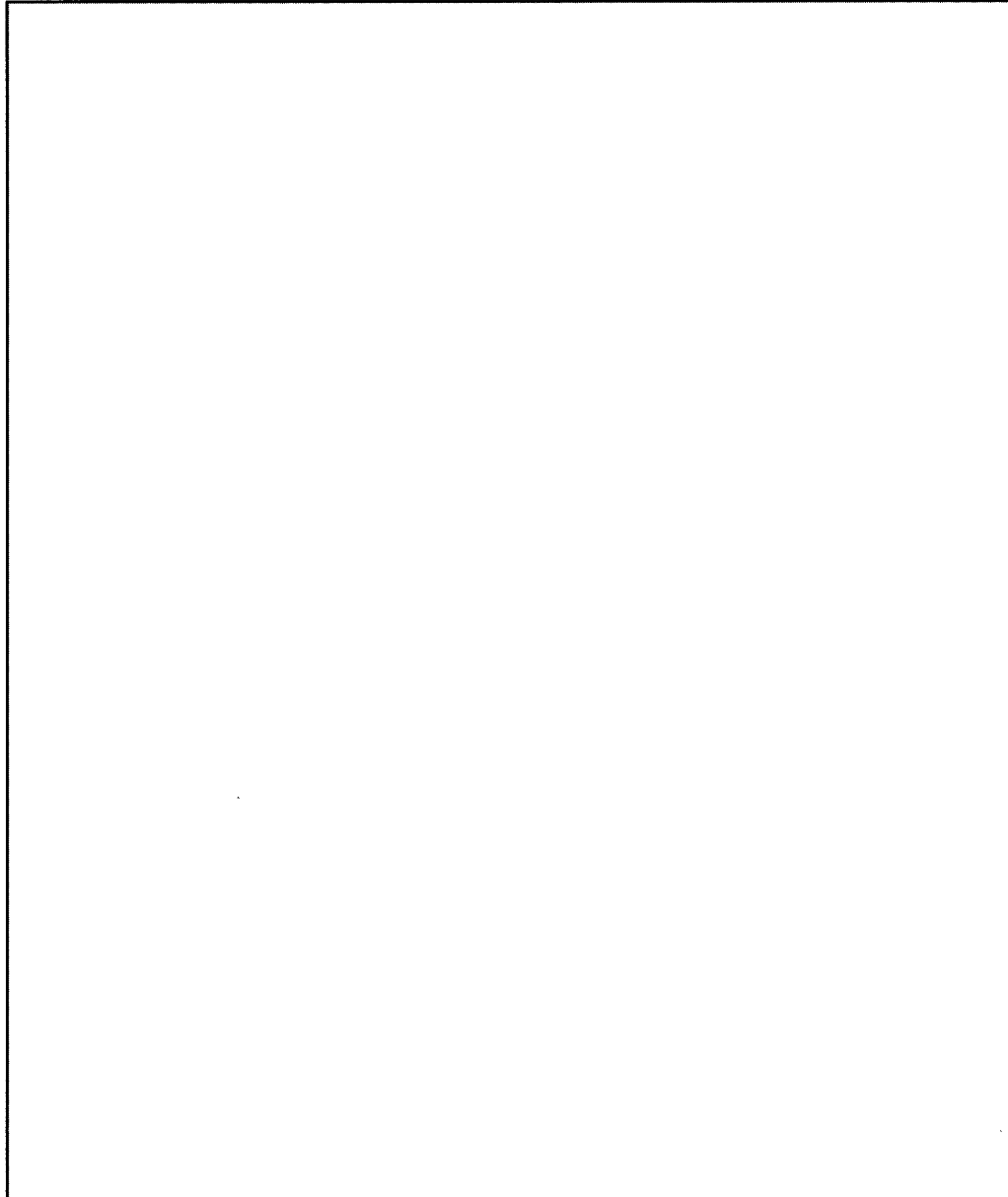
Particularly crucial factors in the company-specific adjustment process are found time and again to be the **negotiation of “fair” selection criteria** and the **consistent compliance** with these priorities when selecting members of the workforce for a particular measure. Only then can the necessary “information and persuasion work” take place in individual interviews.

Adequate time is accordingly also an important framework condition for successful crisis management locally. Careful and early personnel and redundancy planning, in close consultation with all the players involved, and the provision of early and detailed information for those concerned, contribute towards making the implementation phase relatively conflict-free. Resistance and concern for the future, as a consequence of misunderstandings and a lack of information, can then be dispelled in the early stages and the acceptance of adjustment measures considerably enhanced.

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Model: Stahlstiftung Saarland

The *Stahlstiftung Saarland* (Saarland Steel Foundation) was established for the purpose of providing a financially secure tideover prior to early retirement for those employees who cannot, or are not yet ready to take early retirement, or for whom no other measures are suitable, in the form of reemployment, training or some other employment.

The steel industry in the Saar region

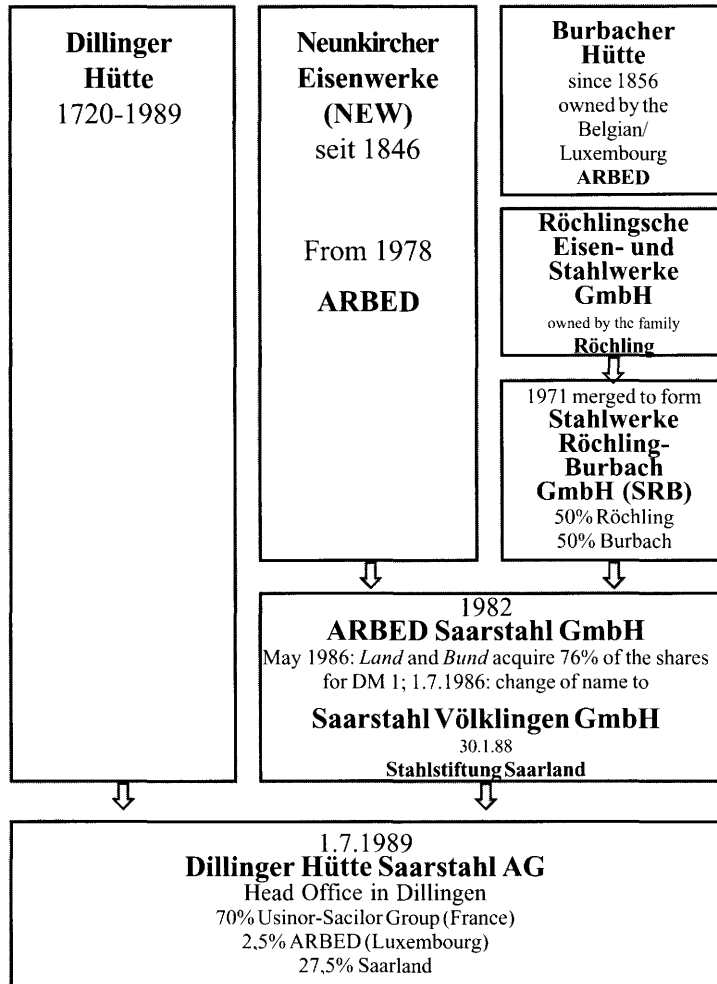
The steel industry in the Saarland has a range of **characteristic features** compared with other coal and steel regions:

- Regional aspects played a special role in view of the rural structure and the peripheral location of the Saarland. There were scarcely any other industries to which steel industry employees could have transferred. One job in every two was dependent on steel or coal, and the region was already suffering from above-average unemployment. The massive process of contraction of the steel industry from more than 30 000 employees in the mid-70s to fewer than 10 000 by the end of the 80s played a major part in this respect.
 - The Saarland steel industry was hit earlier than other regions by the steel crisis. The fact that the “early retirement” instrument was applied earlier meant that, by the mid-80s, there were relatively few employees who were eligible for early retirement.
 - A “restructuring contract” had been in force since 1978 between, on the one hand, the then Röchling-Burbach and Neunkirchen Eisenwerke steel companies and, on the other, the *IG Metall* union and the *Deutscher Gewerkschaftsbund* (German TUC). Embodied in this contract was an agreement to the effect that the companies would not actually make workers redundant.
- Three major criteria**, of a kind only encountered in the Saarland, had thus been laid down for the socially acceptable management of the crisis:
1. The steel industry should be preserved as far as possible in the region.
 2. Early retirement, the most important instrument in the context of all other social plans (*see E13*), could only be used in comparatively few cases.
 3. Termination of employment by the company was excluded.
- This meant that a special solution had to be found for approximately 2 100 employees who could not be transferred to another company, retrained, or given early retirement.
- The “steel foundation” solution was the only viable alternative to bankruptcy. The employee representatives were thus left with no choice but to acquiesce and to search for the most socially acceptable formula - especially

Germany

E14 is based on a case study by Hans-Werner Franz, Rainer Lichte and Jürgen Schultze

The merger process in the Saarland steel industry leading to DillingerHütte Saarstahl AG



since they were faced by the immediate closure of a blast-furnace plant which had already been operating for ages on a short-time basis.

Securing the future of the steel industry on the Saar

The steel industry in the Saarland was highly fragmented up to 1987, i.e. almost up to the end of the crisis in the 1980s. In order to save the industry, a massive redevelopment and concentration process was set in motion; only one company remained in existence at the end. The principal role here is played by the most stable factor in the Saarland steel industry, the Dillinger Hütte company, which belongs to the French Usinor-Sacilor steel group. This was preceded by a series of attempts by the Luxembourg ARBED group and the regional government of Saarland to find a viable approach to the steel industry in this region (see chart).

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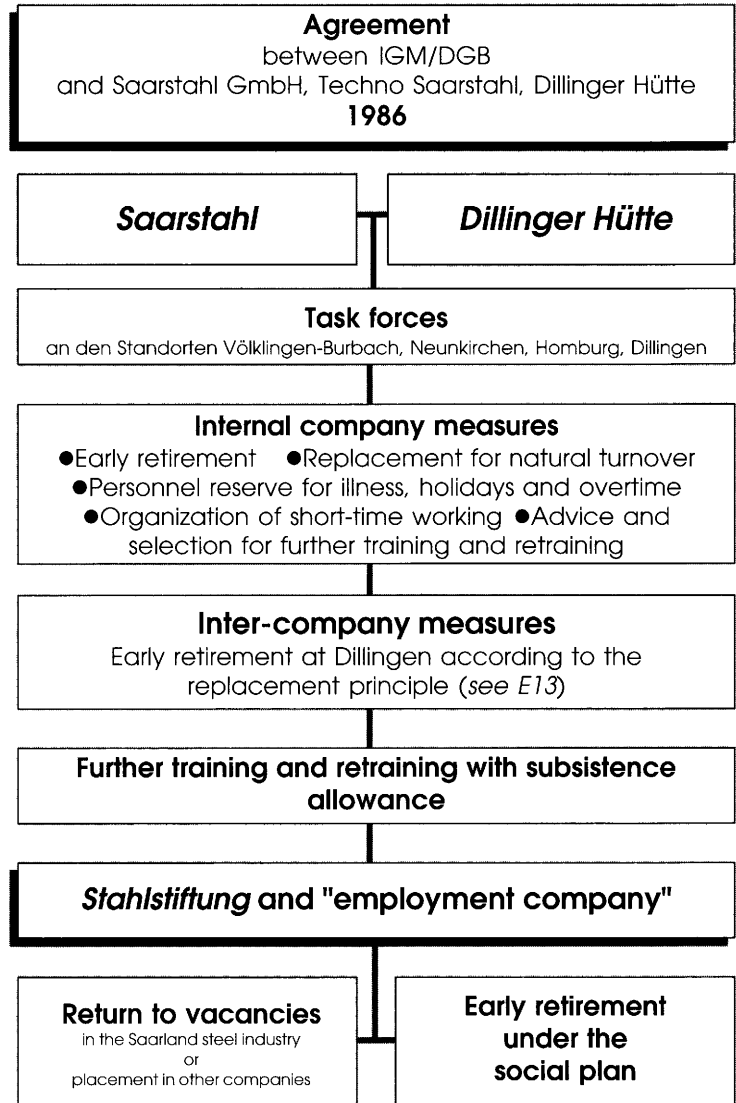
The Stahlstiftung Saarland (Saarland Steel Foundation)

The *Stahlstiftung Saarland* is only the last stage in a comprehensive phased model for socially acceptable job reductions (*see the chart*). It was formed as a limited foundation under a company agreement based on the social plan (*see E13*), initially for the period from 1.1.1987 to 31.12.1989, with an option for extension for two years at a time. Its initial capital of DM 74 million was the assets of the house-building and property management company of Saarstahl AG. The regional government promised supplementary payments amounting to DM 78.5 million for a maximum period of 5 years.

One major problem was the agreement not to make anyone redundant. Faced with this condition, the State unemployment office refused to pay unemployment benefit or unemployment assistance, on the grounds that the individuals concerned were only apparently unemployed and were not available for work. The unemployment office also considered that issuing a "return ticket" to employment in the company went too far. The only response forthcoming from the companies was that they had a "moral obligation" towards the employees concerned.

Because no dismissal notices could be issued under the terms of the agreement, termination of the contract of employment was mutually agreed with the majority of those concerned (95%). The remaining five per cent went to court insisting on the legal termination terms.

The road to the Stahlstiftung Saar



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Duties • Benefits

- **Limited company pension.** The *Stahlstiftung* accepts responsibility for the partial compensation of losses of income by granting a limited-duration company pension. Benefits received from the Labour Market Administration and other sources, as well as earned income from other employments, are taken into account. Depending on their level of income, the persons helped by the *Stahlstiftung* thus receive between 95 and 50 per cent of their previous net income.
- **Reemployment.** The *Stahlstiftung* ensures that priority in filling any vacant and newly created jobs in the member companies goes to people whose interests are being looked after by the Foundation.
- **Further training and retraining.** Acting in conjunction with the Labour Market Administration, the *Stahlstiftung* advises on available vocational training measures.
- **Promotion of employment initiatives.** The *Stahlstiftung* promotes social institutions which are concerned with employment and support services.
- **Employment company.** The *Stahlstiftung* sets up or takes a part in other companies, primarily through the agency of its own non profit-making employment company.

Organization of the Stahlstiftung

The *Stahlstiftung* is an institution without employees. Its executive board is made up of the Labour Director of Techno Saarstahl GmbH and the Manager of Training at Dillinger Hütte Saarstahl AG, who are honorary postholders. Administration (payroll, etc.) is a matter for the company.

The employment company

This may be described more accurately as “a non profit-making company for employment and training”. In forming this company, the *Stahlstiftung* has created an instrument for supporting the employees affected by the steel crisis through the promotion of individual training and the creation of employment opportunities. The **duties** of this company are:

- Ensuring an adequate range of training for former steelworkers, as a complement to existing training institutions and other providers.
- Securing and extending the existing capacity for initial training, where this is not provided by the companies concerned.
- Creation of replacement jobs through employment initiatives supported from public funds, as a complement to the efforts of the companies concerned or other public employment programmes (e.g. job creation measures (ABM)).
- Support for and creation of replacement jobs through innovation in the form of objective technology advice and the promotion of research (e.g. for new businesses).

The nature and structure of the work, and of training within the company, were characterized to a very considerable degree by the fact that 75% of the Foundation's staff were unskilled and semi-skilled. Job creation measures (ABM) had the following content:

- Decontamination of polluted land;
- Work of the *Stahlstiftung* itself;
- Formulation of ideas for the use of derelict land;
- Maintenance of the blast-furnace plant and conversion into a museum;
- Investigation of contaminated land, e.g. beneath the coking plants.

Regional support activities

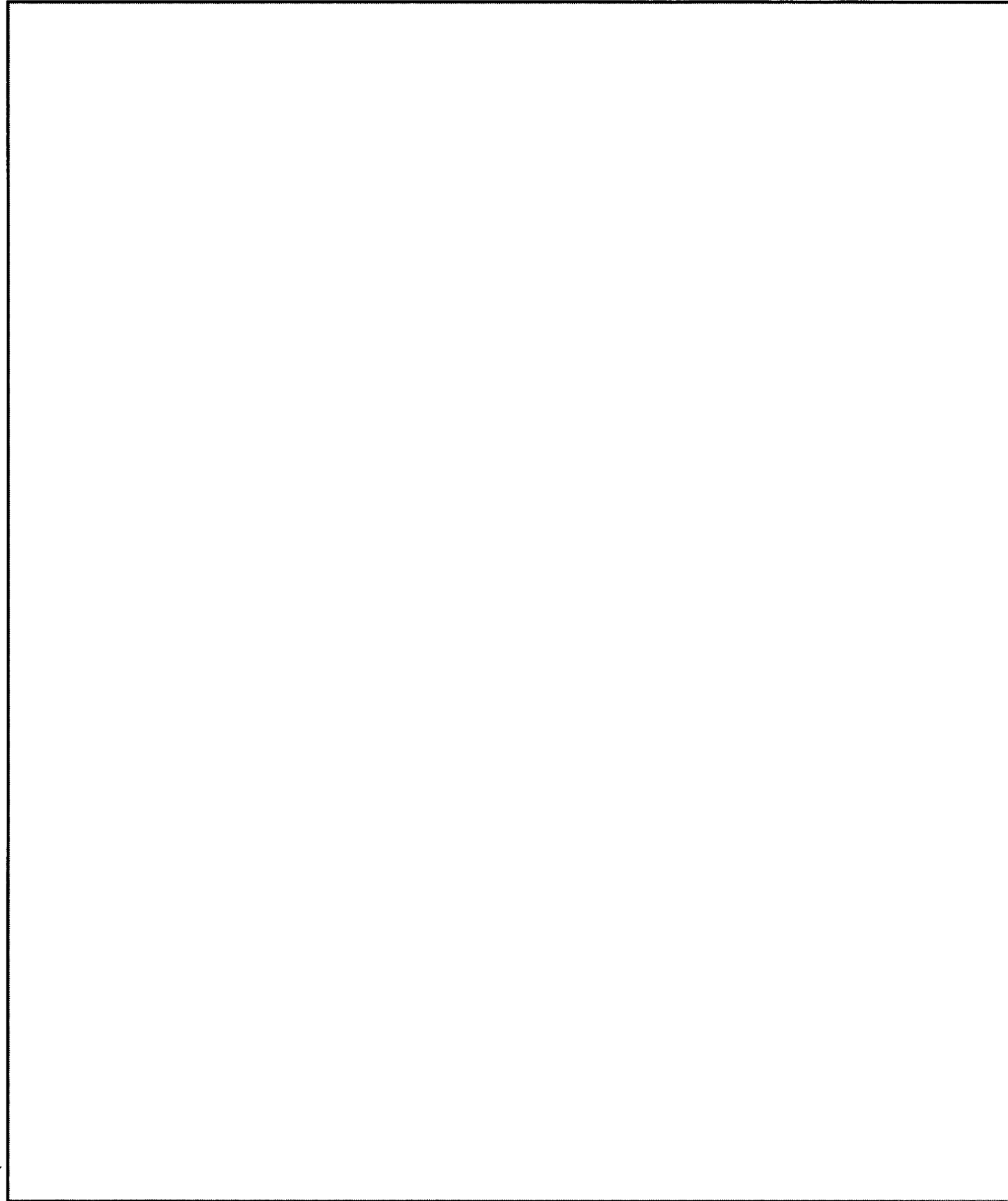
It would seem worthwhile too to describe activities which may not have been implemented, or only to a limited degree, but which complement the model. This includes the idea of the Works Council and the union to adopt a "job creation initiative", to include representatives of the IG Metall union, the Works Council, company management, technical departments, personnel departments, the local authorities, the regional government, the regional unemployment office and the association of small businesses.

In addition to activities aimed at creating jobs, the Saarland regional government stepped up training provision in the region and introduced a special "training programme for the Saar

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Model: CARBONES DE BERGA

This is not a self-contained model. It merits special treatment here because it shows how open and skilled interaction between all the relevant players, even in a relatively remote region, can mobilize money, imagination and initiative. In this way, the closure of a brown coal (lignite) mine became the starting point for dealing with a regional crisis through cushioning measures, training, new businesses and carefully supported own initiatives.

Framework conditions

The CARBONES DE BERGA company produced brown coal (lignite) until 1991. Together with the power station immediately adjacent to it, the company was amongst the major employers in the district of Berguedà in the province of Barcelona on the southern edge of the Pyrenees, although by 1986 it was employing only 718 of the former workforce of 3 600 persons.

Since the Spanish government defined it as being in the national interest to have an independent coal and energy policy, in view of its high dependence on costly oil imports, the domestic brown coal (lignite) sector was able to

survive for a long time, with the result that no one believed the mine would actually close, in spite of low calorific values, poor extraction conditions (water intrusions, great depth, great distances) and increasing imports of coal, oil and natural gas. The days of the company were numbered, with the entry of Spain into the EC and its recognition of the ECSC Treaty, which outlaws government subsidies.

The closure of the mine was a severe setback to the district of Berguedà, in view of the steady loss of industrial jobs and the failure to attract new firms.

Instruments

Unlike the steel industry, no attempt was made initially in Spain at national restructuring of the mining industry. There was thus no central point capable of coordinating the conditions of such a process locally. Given this situation, the concrete solutions had to be developed and negotiated by the people concerned in the region.

Three different packages of measures, which together form a unit, can be identified as **components of the “model”**:

- social cushioning for older employees and those whose jobs are at risk;
- training and reemployment of younger employees, including new business starts;
- reindustrialization of the region.

Because the second and third packages of measures were implemented in close conjunction with one another, they are described jointly below. Financing is provided in the

Spain

E15 is based on a case study by Xavier Matheu, Jaume Benavent und Josep M. Navarro

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form of ECSC funding and national funding via *ENISA: Empresa Nacional de Innovación* (National Innovation Company). A certain proportion of this fund was earmarked for the creation of replacement jobs in the region.

Measures for older employees

Older employees (i.e. utilising all statutory provisions, those aged over 47 years) received a specific offer, depending on their age, which was taken up by 360 of the 740.

Retirement

This option was taken by those who had already reached pensionable age (65) and who, through natural or job-related physical disability, had been certified as suffering from an invalidity.

Early retirement

Early retirement was offered to all employees aged over 58 years. For persons aged over 60, the forfeiture of 40 per cent of the old-age pension was moderated by compensatory payments (“*ayudas equivalentes*”) from crisis funds for companies which have submitted a “strategic business plan” for restructuring or closure.

The following **rules** were applied:

From age 58:

Unemployment for a maximum of 24 months, i.e. until the age of 60 years, financed from funds provided by the Labour Market Administration (40%) and the company (60%). This period was then followed by early retirement, during which the entitlement to a normal pension was acquired via the “compensatory payments”.

From age 60:

as described above.

From age 63:

Unemployment with a normal entitlement to unemployment benefit, including social insurance contributions and supplementary payments by the company. On reaching the age of 65 years: pension with standard benefits.

"Pre-early retirement"

A special early retirement programme, comprising a succession of guaranteed incomes up to pensionable age, was developed specifically for employees aged between 47 and 58 years and those with impaired performance or persons with particular vocational rehabilitation problems. This involved the payment not only of unemployment benefit, but also of other public allowances from tax revenues, and the payment of social insurance contributions by the company under the terms of a special agreement.



Training, reemployment, new business starts, reindustrialization

Plan to attract industrial projects

In 1987, at a time when CARBONES DE BERGA was already developing its strategic business plan for the closure of the mine, it also drew up a reindustrialization plan (*Plan de Atraacci3n de Proytec3s Industriales*) with the aim of attracting new industrial employment into the region and, in so doing, not only creating employment for ex-mineworkers and young people entering the employment market, but also creating a new industrial fabric for the region.

This plan involved three stages:

1. A study of the industrial structure of the district, in order to provide opportunities for expansion and activities that are not affected by the crisis;
2. An analysis of the potential and the market, in order to identify previously undeveloped capacity in the district and market niches;
3. The drawing-up of a plan to attract industrial activities from outside.

The implementation of this plan involved investment amounting to 5.5 billion pesetas up to 1991 and the creation of more than 300 new jobs, about 100 of which were filled by former mineworkers.



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Training and entrepreneurs consortium

After initially adhering to the normal programmes (training and vocational rehabilitation) of the INEM, the National Labour Market Administration, the region created its own set of instruments in 1989 to further the restructuring process in the region, including in the employment market; this was known as the *Concorci de Formaci3 i d'Iniciatives de Cercs-Berguedà*.

At the initiative of the mining company and with the support of the Provincial Labour Market Administration in Barcelona, a consortium was established comprising CARBONES DE BERGA and the following organizations representing the public sector: the INEM, the Catalan government (*Generalitat de Catalunya*), the provincial administration in Barcelona and the local authority in Cercs, the most severely affected place in the district of Berguedà. This consortium is organised along private business lines, but has social objectives: training and the creation of replacement jobs. The advisory board (*Junta*) includes represent-

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atives of all the institutions involved, and its work is carried out by a managing director with an administrative staff.

The work of the consortium is a very well thought-out combination of an extremely wide range of activities and can be sub-divided into three areas:

- **Training.** Further training and retraining courses are organized and offered. Alongside these activities, numerous partnerships were entered into based on EC programmes such as NOW, EUROFORM, FORCE and SPRINT (see Section A2). On the one hand, these enabled a strong Pyrenean cooperation axis to be built up into neighbouring areas of France (and also with local authorities in other countries), and on the other permitted the wide-ranging involvement of specialized training and scientific institutes.
- **New entrepreneurs centre.** The consortium maintains a centre (*Centro de Empresas*) that was set up predominantly with funding from the Regional Structural Fund of the EC (see A2), with 14 companies and around 200 jobs. The centre does not only assist its “own” companies, however, but supports and advises around 45 other entrepreneurs who have established businesses outside the centre.
- **Vocational rehabilitation.** The consortium endeavours, with the support of the Labour Market Administration, to match training supply to the perceived need. It prepares employment market analyses and concerns itself with the placement of course participants in a job appropriate to their qualifications.

Employee-run limited companies

In addition to these activities, companies were also established and business training activities provided for former employees of the mining sector, with the support of the Catalan Association (FESALC) of the *Sociedades Anónimas Laborales* (SAL). These employee-run limited companies are peculiar to Spain and merit separate treatment here.

The SALs are the result of a series of studies, and essentially constitute a balance between the market (market niches) and the qualifications structure of the former miners. The aim was to put employees from the maintenance department in particular through a brief but intensive training to enable them to operate independently in the industrial services sector.

The process of establishing the employee-run limited companies was as follows: Project



Employee-run limited companies

(Sociedades Anónimas Laborales, SAL)

What is an SAL ?

- An SAL (*Sociedad Anónima Laboral*) is a self-governing company, a fundamental requirement of which is that 51 per cent of the shares must remain in the ownership of the employees.
- All the employees of the company with a permanent full-time contract of employment, who work directly and personally in return for payment, are shareholders.
- Any natural or legal person can become a shareholder of an SAL, subject to the limitation that the shareholding may not exceed 25 per cent. Public bodies, on the other hand, may hold up to 49 per cent of the share capital.
- At least four shareholders are required for the formation of an SAL.
- The share capital of the company must be at least 10 million pesetas, at least 25 per cent of which must be paid in in cash at the time of forming the company.
- 10 per cent of the liquid profits in each financial year must be transferred to a reserve fund, i.e. they are not available for distribution.

How does it work?

- The supreme decision-taking body and the forum for expressing the shareholders' wishes is the Shareholders' Meeting. The administra-

tive board is the representative and management body of the company. Its numerical composition must be consistent with the number of shareholders.

- The company is a normal business which operates according to the principle of codetermination and self-government.

Taxation peculiarities

- SALs benefit from the following tax benefits in conjunction with transfers of property and notarial acts:
 - a) Relief of 99 per cent of the fees payable in line with the scale of charges in connection with the formation of a company, with increases in share capital and with all necessary documents and contracts for transforming an existing company into an SAL.
 - b) Relief at a similar level in conjunction with the raising of loans up to the level of the commitments that have been entered into, provided that said amount is applied as an investment in fixed capital.
 - c) Relief at a similar level in conjunction with the acquisition of goods from the company from which the majority of the employee shareholders of the SAL originate.
- Free amortization of the paid-in capital for the first five years, starting in the first financial year.

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groups of around 15 persons were formed with the task of completing an intensive theoretical and practical training programme. Two other local companies were involved in the training alongside the company of origin; these were the FECSA power station company, which was at the same time the parent company of the mine, and TELEFONICA, the national telecommunications administration. This group, which was made up of 55 persons in total, then worked as a department with the status of an **autonomous unit** within its old company, CARBONES DE BERGA, as a contractor for third parties. One engineer and two technicians were seconded to this department by the company. Only when it appeared certain that the viability and stability of this department would permit its independent existence were the following four employee-run companies formed:

- LIMET SAL: assembly of electrical installations;
- INTEBE SAL: assembly of telecommunications systems;
- OSEBE SAL: civil engineering and blasting; and
- TOPBER SAL: landscaping and planning.

Finally, in order to merge these four SALs and to create a professional administration, a limited company was formed to take responsibility for management and financial control.

A total of 150 persons work in these companies, 48 of whom are from the mining industry.

Summary

The restructuring process is highly rated by those actively involved, in terms of results and procedure. It is seen as having been difficult, very tough and, not least, costly, and yet far less costly and more effective than the statutory restructuring process for the other sectors (*see E6*).

In particular the Chairman of the Works Council of the CC.OO. union (Comisiones Obreras), which was initially critical, now has a thoroughly positive view: following initial strong resistance on the part of the company, a planned and carefully supported restructuring process for the region as a whole was eventually arrived at, more particularly through the involvement of public bodies and the FECSA parent company. The mining business is felt, finally, to have become a highly effective dynamic factor.

It is also generally recognised that the constructive approach of the CC.OO. and UGT unions was of very considerable importance, since without the pressure that they brought to bear on the company and their advocacy among the employees, it would have been extremely difficult to generate a sympathetic and optimistic response to the difficult process. In this respect the individual case-by-case approach was crucial. No one was left dangling in mid-air.

Finally, a consultancy company which specializes in restructuring processes of this kind occupied a central role in this entire process.

Crisis careers

Manuel Girona

Aged 41, he was employed at CARBONES DE BERGA as a maintenance technician, although he had no formal training. He was also secretary of the Works Council on behalf of the UGT union. He was offered the opportunity, after taking an appropriate further training course, of becoming involved in one of the employee-run limited companies. The idea appealed to him, and he became the promoter of this idea, encouraging his colleagues to become involved too. LIMET was formed first, followed by INTEBE. Like his colleagues, he remained employed in the company initially until the final go-ahead was given. The mining company is meeting the cost of his training and of the infrastructure of the new businesses. In the meantime, Girona has assumed a leading position in the administration, where he is responsible for, amongst other things, purchasing and personnel matters.

Joan Estrada

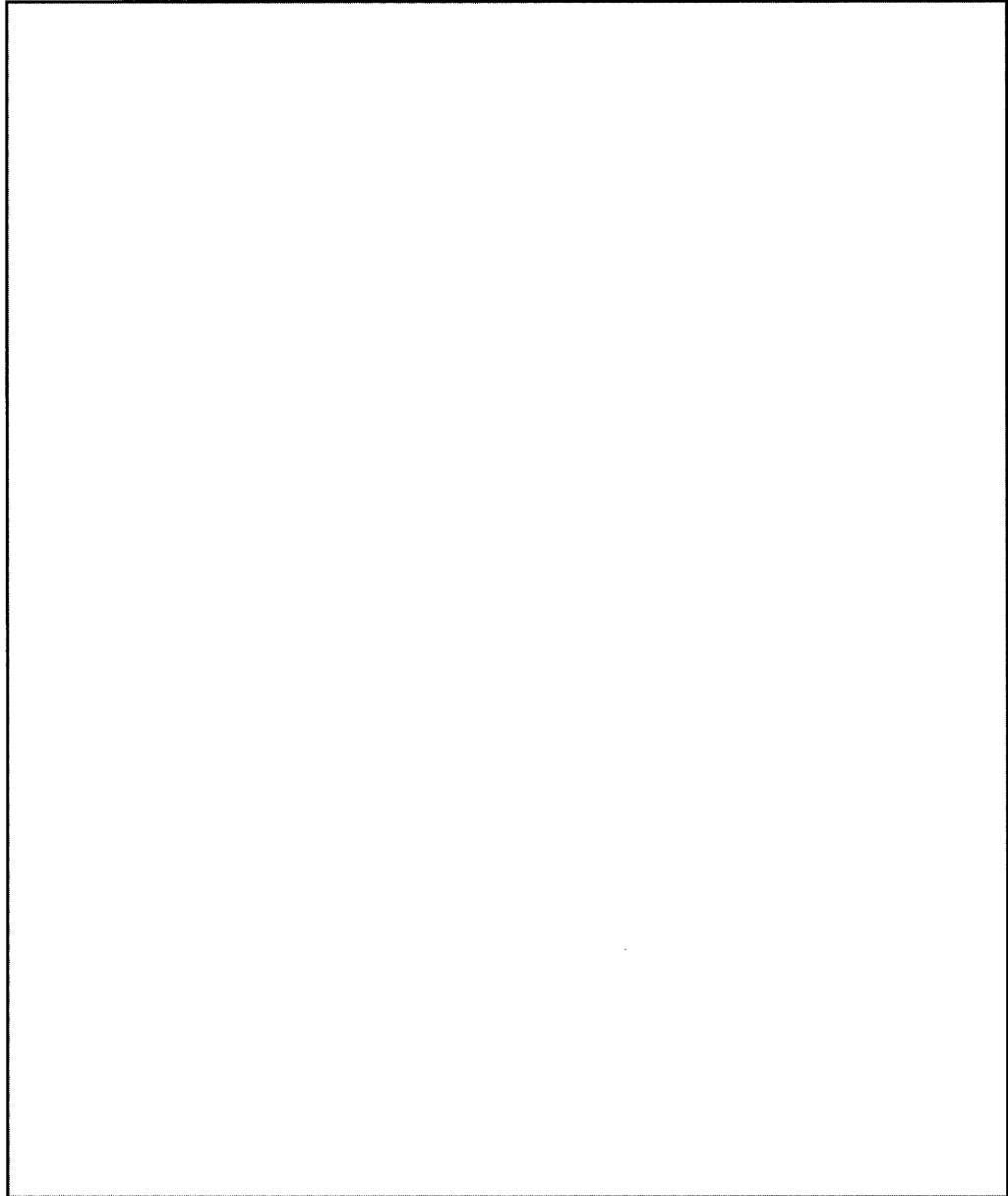
Aged 43, married, with two children, he worked at CARBONES DE BERGA as an installation fitter. He too was a member of the Works Council. After a highly detailed analysis of his skills and experience, he was advised to retrain for an administrative position. After appropriate training, he was given an administrative job (in personnel) in one of the newly arrived companies from the food industry. He describes as "a major shock" the change of job and company, where both his father and grandfather had worked before him, and where he himself had worked for

27 years. Nevertheless, he sees the situation as positive for himself and on the whole. He maintains that he always knew that the pit would not survive, but that it had still been hard to take. The fact that the company had always put its cards on the table encouraged great confidence in the radical change. He attributes the relatively smooth change-over, and the readiness of new companies to relocate in the area, to the absence of serious conflict.

José Antonio Ferraz

Aged 39, married, with two children. He was an electrician, working at the coal face. His father had worked down the pit for 22 years. He too was a member of the Works Council, and had been its Chairman during the last years of upheaval. When the closure of the mine was finally announced, he says no one was prepared to believe it. He himself believed that there would simply be a dip in the economy. He is now employed as shift foreman in the aforementioned food company, following a number of training courses which, he maintains, provided an excellent preparation for his new job. His is an exceptional case, because he registered for a part-time political science course at the university. The constructive attitude of the FECSA parent company, and especially its firm undertaking to the effect that all who failed to find employment would be taken on, was, he says, of central importance, as were the training and qualifications analyses, especially in their highly individualized form. However, no solution presented itself in the mining supply and services companies, which was the downside of the crisis management process.

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Model: Employment company

Employment companies (*Beschäftigungsgesellschaften*) are a specific German model, although not only typical of the mining or steel industry, for socially acceptable adaptation to the employment market with its different characteristics in West and East Germany. As formally autonomous companies and businesses, they serve to provide employment, and usually training, for people who have been made redundant, until they can take early retirement, find reemployment, generally in another company, or until they establish a business of their own. They are operated as a general rule by companies and/or local authorities, and they are financed by a combination of all available means of support. These employment companies assumed special significance through the enormous employment problems caused in the new federal *Länder* in connection with the monetary, economic and social aspects of the reunification of Germany.

The situation in the new *Länder* is new in many respects, not just in terms of the scale, but also of the quality of the changes. It is not simply a structural upheaval that is taking place there in one or two sectors; what we are witnessing is the transformation of an entire economy into a wholly new economic system. These conditions are presented in relatively

great detail for that reason, especially since the situation in the Eastern European countries could well require similar approaches and instruments.

The Anti-crisis Division of the ARBED steel company (see E10) may be regarded as the original form of employment company. Other precursors were the Saarland Steel Foundation (*Stahlstiftung Saarland*) and its own employment company (see E14) and certain other early forms in West Germany, of which one is described briefly in this Section.

Reasons for operational autonomy

The most important reason for granting autonomy to what were originally internal or, at least, company-dependent tideover schemes is that the course of the **structural crisis** in the mining and steel sectors or the restructuring of the East German economy in most cases left no opportunities for returning to the company of origin. This meant that the various models of short-time working (right down to short-time zero) and holding schemes with a guarantee of reemployment were being implemented *ad absurdum*.

The **formal** reason for granting autonomy in respect of the transition in the form of an employment company - usually a limited liability company (*GmbH*) - is that the **Federal Employment Agency adopts an approach which is geared strictly to the external employment market** and largely excludes in-house measures to prevent unemployment. In

Germany

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concrete terms, this manifests itself in the provisions of the Labour Promotion Law (AFG), according to which funding from the Federal Employment Agency in support of employment creation measures (ABM) is only available to individuals under certain conditions of unemployment. A further formal reason is the frequently strict interpretation of §44, Subparagraph 2 of the Labour Promotion Law by local unemployment offices. This paragraph provides funding for further training and retraining (FuU) only in the event of individuals who are “directly threatened by unemployment”. A broad interpretation is considered to apply where such funding is already approved at the time when mass (i.e. not individual) redundancies are announced. The strict interpretation requires the existence of an individual redundancy as a condition for the payment of the full maintenance allowance in conjunction with a course of training.

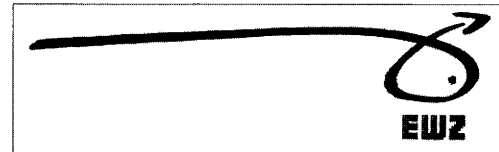
The **reasons for local authorities** wishing to become involved in such employment companies are the burden imposed by the “subsistence allowance” (social assistance) for persons who, mainly due to the length of their unemployment, no longer have any claim to unemployment benefit or unemployment assistance. “Help to work” under the “Work in place of Social Assistance” programme thus frequently offers the only chance, at an insignificantly higher cost, of getting people back in employment. Because employment and training in a normal company or in an administration are generally hard to combine, and because the long-term unemployed as a general rule require a high degree of individual help, it makes

sense to organize this form of employment separately.

“Companies for work promotion, employment and structural development”, as they are frequently known, are in most cases the result of the involvement of the unions in the companies and/or in the region. It is not purely coincidence that the first forms of such activities came about in the (co-determined) iron and steel industry, and the influence of the unions had a crucial part to play in the conception, introduction and continuation of such employment and training activities. (see E19 *Union Initiatives*).

Forerunner Dortmund Development Centre

The *Entwicklungszentrum Dortmund - Modell östliches Ruhrgebiet* (EWZ) (Dortmund Development Centre) is in many respects an experimental forerunner, although in terms of its size it was and is scarcely comparable with the present-day employment companies in the new federal *Länder*. At the time when the EWZ was formed in 1985 in the Ruhr city of Dortmund (unemployment rate at the time: 19%) by a “local coalition” (DGB and individual unions,



the City of Dortmund, companies, research and development facilities, and individuals), it was:

- an **employment market policy innovation**, because it is the first facility of this type to combine work and training on the one hand and development and optimization of ecological products and procedures on the other hand in the form of measures (ABM and FuU) financed under the Labour Promotion Law, in so doing going beyond the current “employment measures” and offering meaningful work and learning concepts to the unemployed;
- a **promotional policy innovation**, because it systematically propagated for the first time and put into practice a combination of all available promotional opportunities (ABM, FuU, Work in place of Social Assistance, ESF, regional funding, local authority funding, private funding and investment promotion means, etc.), but incidentally brought out the weaknesses and problems of such a method of financing;
- an **environmental/economic innovation**, because environmentally friendly products, processes and services were to be developed and tested, although as it turned out, this was considerably more difficult than expected and than is possible under the conditions relating to employment creation measures for niche markets in the craft sector;
- a **participative innovation**, because the management and the forms of cooperation and learning in the company-like development centre facility was intended to be “democratic”; this was unsuccessful, at least

in part, because neither the management side nor the employees were adequately prepared for such an organization;

- a **structural policy innovation**, because the EWZ saw itself as a necessary employment market policy complement to the high technology-oriented economic and structural development undertaken by the city; because of its “size”, it was naturally unable to impart any decisive structural impulses, although it was able to keep discussion going on this aspect of development.

A “cooperative business park model”, known as the “*UNION-Gewerbehof*”, with around 100 employees in 15 small businesses, has since grown up around the EWZ on the HOESCH Stahl “*Union*” site. With a placement rate of 70 per cent (within 3 months) subsequent to employment creation measures or training, the EWZ lies far above the federal average of approximately 40 per cent. The most successful achievement of the EWZ as a company was in training schemes aimed at providing environmentally relevant skills, which it now also offers on a commercial basis.

Apart from the Dortmund Development Centre, local authority employment facilities of this kind have been set up in other cities (including Cologne and Saarbrücken). Employment companies on a grander scale with government and local authority support were first set up during the second half of the eighties in the North German city-states of Bremen and Hamburg, where the structural crisis in the shipyards in particular had led to high unemployment levels.

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Employment companies in Eastern Germany

In order to understand the specific constitution and the significance of the employment companies in the new federal *Länder* of the Federal Republic of Germany, it is essential to explain the framework conditions under which they came to be used as an **employment market, social and structural policy model**. In the interests of simplicity, the acronym **ABS** is used below for the *Gesellschaften für Arbeitsförderung, Beschäftigung und Strukturentwicklung* (companies for work promotion, employment and structural development).

The monetary, economic and social union resulted in overnight confrontation in 1990, brought East German companies into contact overnight with western competition and, at the same time, cut them off from East European markets. As a result of this, the employment situation that has arisen in the new *Länder* can only be adequately described as catastrophic.

Restructuring and adaptation to a higher level of production take a long time. Redundancies always happen more rapidly than new jobs can be created or safeguarded on a new basis. What is more, the number of 9.7 million in gainful employment in the former GDR is a figure unlikely to be seen again. Bridging the period up to the point at which investment and infrastructure programmes take effect is only possible with the help of “crutches” such as employment and training companies. This applies all the more if one considers that small and medium-sized businesses were practically unknown in the economy of the GDR, so that

there is practically no cushioning structure for the defunct industrial concerns with their numerous economic and social functions. The **collapse of whole regions** increased the pressure to identify and create alternative employment opportunities.

Together with the persons who find themselves in employment creation measures (ABM), in training, or on short-time working, and with the recipients of old-age transitional allowance and early retirement allowance, **almost every second person of working age is unemployed**. According to details provided by the Federal Statistical Office, 1 342 000 industrial jobs out of 2 287 000 in the new *Länder* were lost between the reunification of Germany (fourth quarter of 1990) and June 1992, i.e. almost 60 per cent of the jobs in the key sector of a modern industrial society.

The ABS are intended to function as the **seedcorn for economic renewal in the region**. This is conditional, though, on their involvement in economic policy, and not primarily their role as an institution of the secondary employment market. The ABS play a significant role as a social cushioning instrument and structural policy aid, and as providers of employment policy measures with the aim of ensuring that workers are ready and willing to accept jobs, of making a contribution to the development of the region, and of ensuring the influence of the employees concerned on the conversion process and their codetermination in training and product innovation.

The **high level of skills of employees** in the new *Länder* offers excellent potential, calling for a different approach to the problem and, at

This part of E16 is based on a case study by Cornelia Auxel and Andreas Davids

the same time, meaning that the ABS were able to greatly extend their radius of action. Excessively high demands are often imposed on the companies as a result, however, especially in terms of innovative projects. Levels of performance are expected which are scarcely achievable by existing businesses, namely the development of new products and the capturing of a new market or at least niches in the market.

One major problem facing the ABS in East Germany is their lack of knowledge of the direction in which the employment market and the economic structure are moving and, in consequence, the areas in which training is called for. There is virtually no investment in the industrial sector. It is almost impossible to find a full-time job on the regular employment market. There is also uncertainty as to the number of measures that still qualify for support under the East Germany Labour Promotion Law. This means that the stability and durability of the ABS are highly uncertain.

Example: The Riesa region

The Riesa region, which has around 250 persons/km², is one of the most densely populated areas of the district of Dresden. Riesa is in a good position from the point of view of communications - at the intersection of two railway lines and on the river Elbe shipping route - and this has contributed significantly in the past to its industrial development.

The economic structure of the region was characterized essentially by the **steel industry** (*Stahl- und Walzwerk Riesa, Stahlwerk Gröditz, Rohrwerk Zeithain*). Other structurally important industrial companies in the region were the chemicals plant at Nünchritz, the tyre manufacturing plant and the Elektronik GmbH company in Riesa.

At 30 403 persons in November 1990, approximately 62 per cent of all those in gainful employment in the administrative district of Riesa were employed in the manufacturing sector.

Because of massive structural change, the rate of employment in manufacturing industry fell to approximately 32 per cent between November 1990 and August 1992. Unemployment in Riesa district of the Unemployment Office stood at 15.7 per cent in January 1993. If account is taken of the relief measures available under employment market policy, then the underemployment rate is of the order of 45.5 per cent at the present time.

Riesa as a steel location

In conjunction with economic and monetary unification, the parent plant of the *VEB Rohrkombinat Riesa* (Riesa tube group), which previously had an annual steel production of approximately 1.2 million t, was transformed into the **Stahl- und Walzwerk Riesa AG** (SWR AG) and reported to the *Treuhandanstalt Berlin*, the central administrative body for the assets of the former German Democratic Republic.

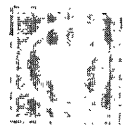
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After the transformation, SWR AG found itself with two sites situated very close to one another in the region: the old plant in Riesa itself, with a liquid phase, steel casting, steel rolling mill and plant and equipment, and the plant at Zeithain with a tube rolling mill. In 1989, 12 253 persons were employed at the *Stahl- und Walzwerk Riesa*: i.e. 22.5 per cent of all employees in the Riesa district, and 38.3 per cent of employees in the industrial sector. This clearly illustrates the outstanding importance of SWR AG to the economy and employment policy of the region as a whole.

SWR AG was not equipped to survive, for the following reasons: outdated technology, obsolete production methods, collapse of former markets, environmental pollution, excessively high manning levels and extremely high maintenance, energy and repair requirement, and a production profile oriented towards mass steel production. Following privatization, only the Zeithain tube plant, with most of its equipment and a workforce of 1 500, was taken over by *Mannesmann AG*.

The management of SWR AG adopted the following steps with a **a view to** the structural transformation of the Riesa steel site into a modern **steel plant**:



Stahl- und Walzwerk Riesa AG

- privatization of sub-areas: closure of sub-areas not suitable for privatization;
- transfer of responsibility for crèches, nurseries and works fire brigade to the local authority;
- privatization of sectors following redevelopment of old industrial sites (0.72 km²);
- preparations for and promotion of the relocation process amongst new investors through training for members of the SWR AG workforce.

The result of the concept agreed between the *Treuhandanstalt*, the supervisory board, the executive board, the *IG Metall* union, the City Council and the Rural District Administrative Office was the liquidation of SWR AG.

A central idea behind this concept is the **redevelopment of derelict former industrial sites**, in order to prevent the creation of industrial wastelands and to restrict encroachment onto greenfield sites. The intention was to employ redundant workers on the associated development work. The following operations were and are being carried out in order to prepare and adapt the old industrial site to the requirements of privatized or newly relocated companies:

- dismantling of old production facilities and partial demolition of buildings;
- individual provision of infrastructure: electricity, heat, water, sewerage, and removal of large quantities of railway track;
- decontamination and covering-over of polluted ground;

- conservation of buildings and facilities which can and should continue to be used by new investors;
- construction of new streets and roads.

For the purpose of coordinating these tasks and facilitating a flexible response to the requirements of investors, a planning office was charged with drawing up development concepts, including site preparation and restructuring of the area, coordination with policy-makers in the public sector and submission of applications for financial support.

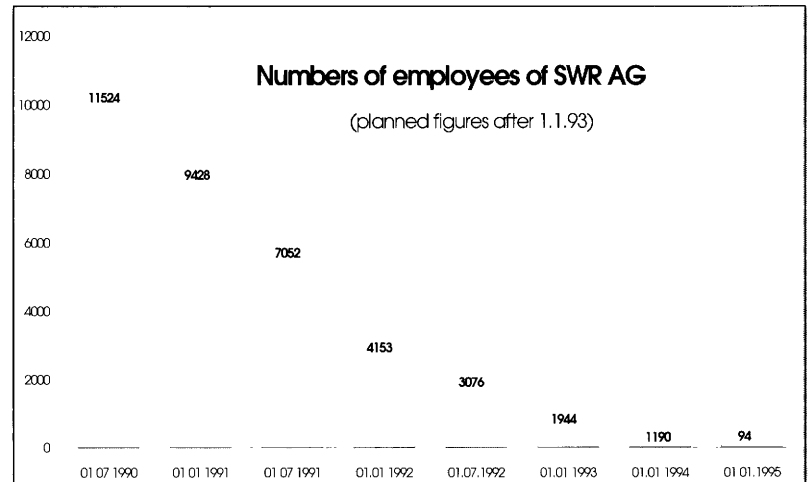
Instruments

Two different organisational structures with different legal status were used at Riesa, because of the specific situation of individuals, the corporate conditions imposed by the *Treuhandanstalt*, and the changing support conditions (change of AFG).

On the one hand, the steel company itself functioned to a certain extent as an employment company, deploying all available employment market policy instruments:

- old-age transitional allowance (AlüG);
- early retirement allowance (VoG);
- short-time working allowance (KUG);
- further training and retraining (FuU);
- employment creation measures (ABMs).

On the other hand, a special, autonomous sponsoring company, known as the *Gesellschaft für Arbeitsförderung, Beschäftigung und Strukturentwicklung mbH Stahl (ABS Stahl)* (company for job promotion, employ-



ment and structural development in the steel industry) was formed in order to take on short-time workers, to formulate employment creation measures, and to initiate training measures.

The work involved in the restructuring of the steel site is not achievable with funds provided by the SWR AG alone. This relates both to the social cushioning of the effects of redundancy, and to the work necessary for the redevelopment of derelict sites and preparations in readiness for relocating businesses. In order to provide social cushioning, the following funds were applied with the support of the Labour Promotion Law (AFG):

- short-time working until working hours have been reduced to zero in the great majority of cases (KUG/KUG 0);

Notes

- further training and retraining (FuU);
- employment creation measures (ABMs).

A population shift towards the old *Länder* took place at the same time as the active measures for crisis management. Although this had the effect of reducing the tension in the regional employment policy situation, it was not viewed in a positive light by the region because most of the migrants were likely to be important members of the new workforce.

Measures taken by SWR AG

One special feature of plant-level agreement 002/1991, "Social plan for the termination of contracts of employment against payment of severance pay", between the company management and the Works Council is an implementation clause which stipulates that the agreed **severance pay** should be paid in instalments over a period of 12 months. Payment of the

ABM

The instrument: employment creation measures

Employment creation measures are an instrument of labour market policies deployed by the *Bundesanstalt für Arbeit* (Federal Office of Labour) to provide direct and targeted support for demand for labour. §§ 91-96 of the Labour Promotion Law (AFG) apply here.

According to §91, support should be provided for activities which:

- 1) "are in the public interest";
- 2) "would otherwise not be implemented, or would only be implemented at a later date";
- 3) "are suitable:"
 - a) "for creating conditions for the employment of unemployed persons in permanent jobs and, in particular, for compensating for the consequences of structural change or technical development"; or
 - b) "for preparing for, enabling or supplementing measures to improve the structure"; or

c) "for creating employment opportunities for the long-term unemployed"; or

d) "for improving the social infrastructure or maintaining or improving the environment".

Measures may be organised and run by public, non profit-making private, or private companies and organizations, although in the latter case there must be some likelihood that "the support provided will stimulate the employment market in the manner desired in accordance with economic or social policy".

"Support is only made available for employees who have been referred by the unemployment office", who are unemployed, and who have been unemployed for a period of at least six months in the last year. Persons engaged on employment creation measures remain available for work, i.e. they are free to give immediate notice in the event of their finding permanent employment or a place on a vocational training course.

Depending on the individual and the general situation on the employment market, the subsidy paid by the unemployment office may cover between 50 and 100 per cent of the costs involved. Under certain circumstances, some contribution towards material costs may also be paid.

monthly instalments ceases in the event of a new contract of employment being entered into, but recommences in the event of the new contract of employment being terminated within the following two years for no fault of the worker's.

In the event of the transfer of an employee to *ABS Stahl* (when he will lose any entitlements enjoyed under the ECSC Treaty), the full amount of personal severance pay will be transferred immediately to the special ABS account (*see comments relating to ABS special facilities, p. 18*).

Employment creation measures by SWR AG

One important condition for the transformation of the Riesa steel site into a modern industrial site was the reclamation of derelict land.

The necessary preparatory work is an important aspect of the two "mega-employment creation measures", each with around 600 participants, operating under SWR AG. A total of around 1 530 persons are employed in the two large employment creation measures and in numerous smaller projects. The table on the following page gives a summary of all the employment creation measures being run at the present time by SWR AG.

For this exceptional situation caused by extreme structural breakdown, agreement was reached with the Federal Employment Agency on an employment creation measure in which **a single** company sponsoring the measure establishes **two employment relationships** with

the participants, one of which is active (for the employment creation measure) and the other passive (from the previous employment), thus ensuring that the employees, who (unlike in the old *Länder*) are able to transfer smoothly to the employment creation measure, retain their entitlement to benefits under the ECSC Treaty.

In addition to "site recycling", with its positive effect for both the environment and economic and structural policy, the employment creation measures also have the function of providing a "stock" of qualified workers for new investors relocating to the old SWR AG site. Lists of names now exist of employees who can be offered specific contracts of employment by new investors. Preliminary agreements with future employees have even been signed.

In order to obtain and improve their qualifications, a number of the employees benefiting from employment creation measures also embarked on training courses for up to 20 per cent of their working time, and a smaller number for up to 50 per cent.

Most of the current employment creation measures expire in the first half of 1993. Not all the work on redeveloping the *SWR* site will have been completed by then. Since the employment market has not yet undergone a radical improvement, and because even the number of planned new jobs cannot be achieved, intensive efforts are being made to continue the work already started with an average workforce of 900. Further employment creation measures are planned for 300 persons on average.

The number of employees benefiting from these measures should be degressive, which

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Summary of SWR AG job creation measures

(Status: June 1992)

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Preparation of the site for new occupation (1st construction phase) (630 persons) 2. Preparation of the site for new occupation (2nd construction phase) (640 persons) 3. Improvement of employment creation measures management 4. Preparation, coordination and planning classification of employment creation measures 5. Survey of derelict sites 6. Preparation for a museum for the former steel site at Riesa 7. Survey of the structural condition of housing belonging to <i>SWR AG</i> 8. Multi-purpose building at Riesa/Merzdorf: <ul style="list-style-type: none"> -facade cleaning -public facilities -sanitary facilities -housing -surrounds 9. Work with children at the company holiday home 10. Preparations for remedial work on the vocational training centre 11. Remedial work on the vocational training centre | <ol style="list-style-type: none"> 12. Resumption of business relations (trade with the east) 13. Technical information, documentation and publicity 14. Cataloguing of archives 15. Social welfare of employees 16. Landscaping of open spaces at Riesa-Weida 17. Planning and control of employment creation measures 18. Personnel and ergonomic aspects of employment creation measures 19. Materials and financial aspects of employment creation measures 20. Maintenance of sports facilities 21. Control and security of the Tröbitz hazardous waste dump <ul style="list-style-type: none"> -supervision -engineering treatment 22. Safety, improvement and remedial work on the Zachorna children's holiday camp 23. Clearance of SWR site at Zeithain 24. Recycling of technical apparatus |
|---|---|
- Total workforce under ABM 1 530**

means that a start is made with a large number of employees who are then placed in new jobs as the need arises.

It is planned to hive off a small number of selected employment creation measures once the State support expires, for example as painting and decorating firms and plant hire businesses.

Close links were maintained with local tradesmen at the planning and implementation stage, as a result of which contracts to the order of DM 60 million were placed with small and medium-sized companies in the region, creating a synergistic effect of structural policy.

The **financing** of the major employment creation measure was - apart from the financing received from the aforementioned sources - only possible with the support of the *Treuhandanstalt Berlin* and with financing from the "Gemeinschaftswerk Aufschwung Ost" (Concerted Efforts for the Recovery of the East).

Support at a rate of 100 per cent was provided for both major employment creation measures in respect of both personnel and material costs.

The funding planned for these measures totals DM 118.5 million, of which approximately 36 million are in the form of loans underwritten from the *Treuhandanstalt* and approx. DM 10 million are from funds held by the *Land* of Saxony and/or the "Gemeinschaftswerk Aufschwung Ost".

Further training and retraining measures at SWR AG

At the start of the restructuring process in 1990, the social aspects associated with ensuring regular incomes through payment of the maintenance allowance were of overriding interest for the implementation of FuU (further training and retraining) measures. Employees with "short-time work zero" status in particular were assigned to FuU measures (the maintenance allowance payable for further training and retraining is 5 per cent higher than the short-time working subsidy for a working time of zero hours).

Considerable numbers of familiarization courses were offered initially, although additional training measures were frequently in-

cluded. More detailed plans for structural change and the adoption of concrete relocation projects by new investors were accompanied in about the second quarter of 1991 by an enhanced process of gearing training measures to the actual needs of potential new investors and the anticipated local employment market.

Job-related training measures were also provided directly in the parent companies of the new investors.

Training was not only made available in the form of support, in the context of employment creation measures with a training content of

Notes

Further training and retraining for employees of SWR AG				
from 1990-23.11.92				
Subject field	Status of training measures			
	current		completed	
	from ABM	from KUG 0	from ABM	from KUG 0
Commercial	-	242	-	177
Computers/hardware and software applications	1	50	191	130
Environmental protection	-	5	19	21
Welding/Basic and advanced courses	32	3	344	-
Construction machinery/transport	112	53	277	18
Building trades	9	41	-	-
Electrical engineering/electronics	13	45	45	28
Fitter	3	23	89	18
Others, and short courses	32	69	218	268
Total participants	202	531	1183	660
of whom female	65	304	125	349

Notes

20% maximum or 50% maximum of working time, but were also provided on the basis of “short-time zero” status.

During the period under consideration, i.e. since 1990, 2 400 employees of SWR AG have completed a further training or retraining course. Of these, approximately 1 300 were part-time in conjunction with an employment creation measure.

Notes

Gesellschaft für Arbeitsförderung, Beschäftigung und Strukturentwicklung mbH Stahl (ABS Stahl)

The formation of ABS Stahl (*company for job promotion, employment and structural development in the steel industry*), largely at the initiative of the *IG Metall* union, coincided with the creation of five further ABS common funds on 1.1.1992, which are ranked equally with the regionally oriented companies within the structure of the *Aufbauwerk Sachsen* (Saxony Redevelopment Board) (*see p. 17*).

ABS Stahl is a company with limited liability run by a project advisory council.

ABS Stahl is broken down into subsidiaries, which were established at the most important sites of the Saxony steel industry in close association with the various companies.

A major contributory factor to the establishment of ABS was the fact that the short-time workers with zero hours working time employed in the original companies up to the end of 1991 were no longer financable because of the increasing non-wage labour costs (employer’s contributions to sickness and pensions insurance funds must be paid by the company on expiry of a special arrangement), and were thus facing redundancy.

This solution was arrived at in order to build a bridge for these people and give them time to transfer to alternative employment in

the “primary” employment market, which had already collapsed.

The contract of employment with the old company ceased with their admission into ABS Stahl, and a smooth transition into the new employment relationship then took place on the basis of a new contract with ABS.

The creation of ABS Stahl marked the start of intensive efforts to provide opportunities and improve the chances of individual reintegration through job creation measures and/or training.

In the first month following its foundation, the workforce at ABS Stahl had risen to approximately 1 300.

The chart below illustrates personnel development at ABS Stahl since its foundation. It can be seen that the company managed even in the first two months of its existence to place a large number of employees in employment creation and training/retraining measures.

Financing

The financial basis for the work of ABS is, first and foremost, the funding provided by the *Bundesanstalt für Arbeit* (Federal Labour Agency) in the context of the Labour Promotion Law.

The co-financing of ABS Stahl was made possible through financial support provided by the *Treuhandanstalt Berlin* and the *Land* of Saxony. These funds were applied in particular to:

- the “peak” financing of short-time working, i.e. the employers’ contributions under

Fields of activity of ABS Stahl

Extract from the Articles of Incorporation

“The purpose of the company is to support the planning, the organizational implementation and the promotion of targeted vocational training and employment measures, in particular in accordance with the Labour Promotion Law.

In conjunction with this, the following fields of main interest:

- vocational training,
- promotion of employment;
- innovative project/product development;
- new business starts

should focus on the development of regional social infrastructure, contribute to the conservation and improvement of the environment, and accompany and supplement measures for improving the regional economic structure.

Because of the numerous points of contract and interlinking, the four areas of main interest are dealt with by the company in cooperation with local authorities, rural districts, companies and the regional training and industrial development facilities.”

Notes

para 63.4 of the Labour Promotion Law in respect of:

- sickness insurance;
- pensions insurance;
- unemployment insurance;
- holidays;
- non-wage labour costs, e.g. contributions to the *Berufsgenossenschaft* (employer’s liability insurance association) and bank charges for wage payments;

Notes

- managers' remuneration not financable under the Labour Promotion Law.

A cooperation agreement was entered into between the *Treuhandanstalt Berlin* and ABS Stahl, the effect of which is to assume responsibility for these cost elements; also gives a fundamental assurance of the material/technical support for ABS with material resources from the original companies. This concerns the following individual areas:

- computer processing of wage and salary payments by original companies, or the financing of a company to do the work;
- the use of buildings and land for training and employment creation measures, and for business purposes;
- the technical equipment of ABS with vehicles, machinery, apparatus, tools and materials.

This was backed up by additional cooperation agreements which the individual sub-

sidiaries entered into with the original companies.

One shortcoming to emerge in the cooperation agreement between *Treuhand* and ABS is the absence of agreed purchase options for land and buildings for privatised parts of the firm.

ABS Stahl subsidiary at Riesa

Close links naturally already exist between SWR AG and the ABS subsidiary at Riesa, given their geographical proximity (the head office of ABS Stahl is at Riesa); the Managing Director of ABS Stahl is also a member of the board of SWR AG. The measures and activities accordingly form part and parcel of the process of structural change initiated by SWR AG.

Employees of ABS

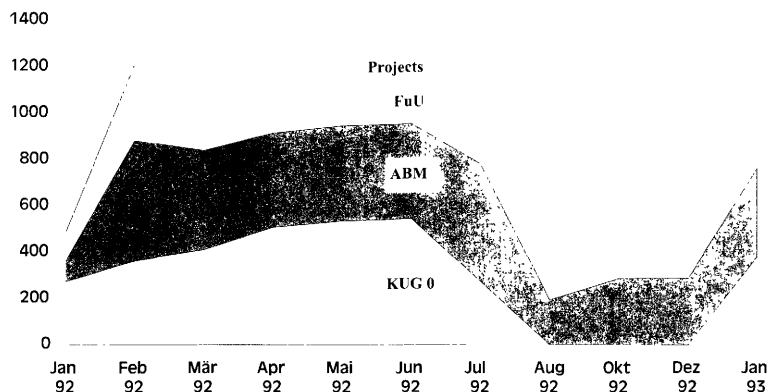
The employees to be transferred from SWR AG to the ABS subsidiary were selected largely from the point of view of preserving their entitlements under the ECSC Treaty.

For example, employees who were nearing their 55th birthday were not accepted into ABS, but were left within the structure of SWR AG in the context of in-house employment creation measures or short-time work zero.

Those employees who were already preparing themselves specifically for transfer to one of the new investors who had relocated to the SWR AG site were also retained within the structure of SWR AG.

Employees from Elektronik Riesa GmbH and TEXTIMA Großenhain, in addition to

Personnel development at ABS Stahl



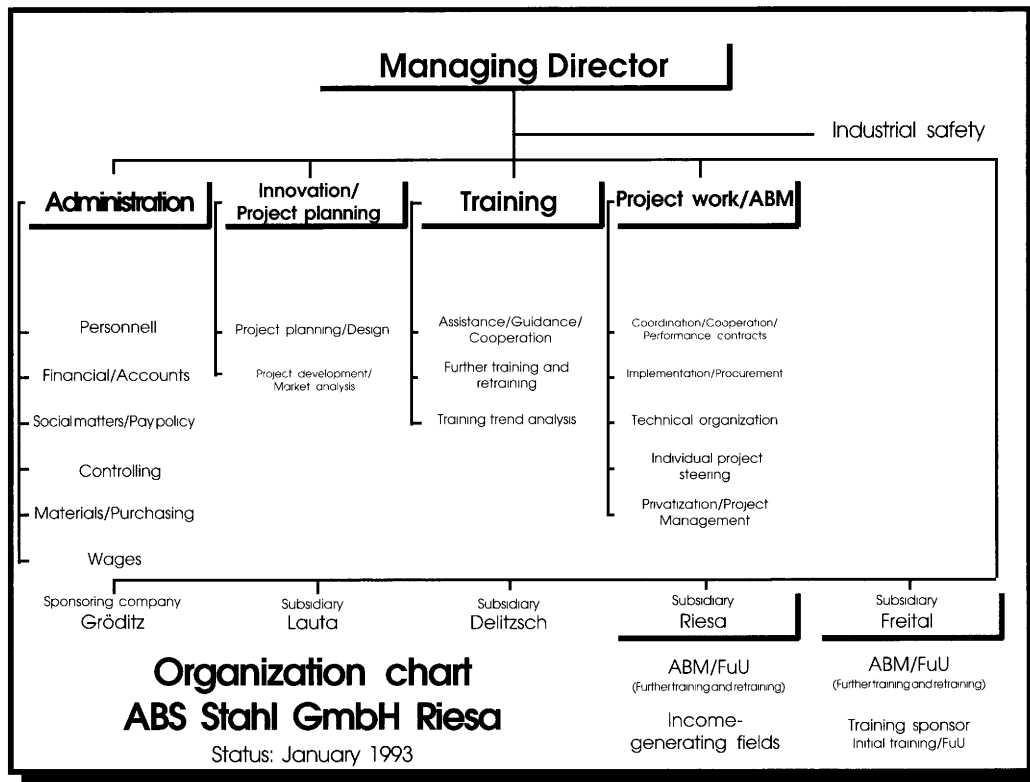
those from SWR AG, were taken on by the ABS-Stahl subsidiary at Riesa in the interests of regionalisation.

The **training structure** within the ABS subsidiary is illustrated in the Table below. The remarkably large proportion of highly qualified persons is a peculiarity of East German employment companies. It can be taken as an indicator of the potential capacity for innovation available in such companies.

Projects known as **income-generating fields** were installed alongside the employment creation measures and the training

measures. These enabled the company to work increasingly towards exploiting profitable areas of activity in the service sector. People employed in these fields are not participants in employment creation measures, nor are they funded under the Labour Promotion Law. The following Table provides a summary of current or planned **employment creation measures**. Most participants are engaged on structural changes on the site (dismantling of the bar rolling mill and changes to the business incubator centre, whereas the overwhelming proportion of employment creation measures are

Notes



Qualifications structure in the Riesa ABS subsidiary of ABS-Stahl (Status: February 1993)				
Level of qualification	percentage	absolute	of which: weiblich	of which: männlich
University graduates	00%	1		1
Graduate engineers	02%	8		8
Engineers, coll. cert.	20%	64	28	36
Foremen (Meister)	02%	8		8
Skilled workers	66%	215	67	148
Semi-skilled workers	08%	26	9	17
Unskilled workers	01%	2	1	1
Total	100%	324	105	219

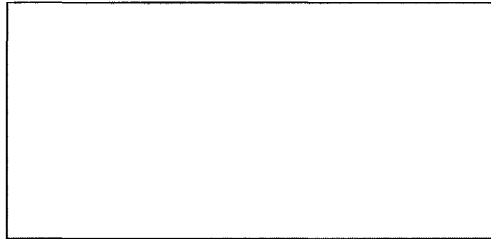
concerned with traditional areas such as the improvement of local authority infrastructure and measures aimed at improving the environment and social services (*see the Summary of employment creation measures next page*).

A further Table (*see the Summary of income-generating fields next page*) provides a summary of such projects with the eventual aim of privatisation. These hiving-off operations will initially have a common management structure, the intention being to prevent well equipped entrepreneurs going bust because of inadequate familiarity with the running of a business.

Employment creation measures of ABS Stahl, Riesa subsidiary (Status: Dezember 1992)	
1	Dismantling bar rolling mill (100 persons)
2	Reconstruction of the business incubator centre
3	River bank reinstatement of the river Elbe
4	Improvements in living environment
5	Project group
6	Citizens' advice bureau
7	Project group AFG amendment (§249h AFG)
8	River Elbe bank reinstatement, cycle track
9	Cycle track/pedestrian track, Riesa-Park
10	River Elbe bank reinstatement, stage 2
11	Redevelopment of industrial wasteland/Steinweg
12	Recycling of electronical apparatus
13	Provision of parking spaces
14	Repair of residential roads and field tracks
15	Site remedial work/Canitz
16	Rehabilitation of town railway station
17	Wasteland improvement at Göhlis
	Total employment creation force ca. 400

Income-generating projects of ABS Stahl, Riesa subsidiary (Status: Dezember 1992)	
1	Cleaning of glass and buildings
2	Motor vehicle recycling
3	Building maintenance, garden care site and road cleaning
4	Auxiliary building and maintenance services via works contract
5	Typing and service office
6	Commercial office
7	Local goods transport
8	Recycling of plastic waste
9	Laser and plasma cutting
10	Training of long-term unemployed people
11	Quality assurance/environmental surveys
12	Software development and sales
13	Demolition and rehabilitation company
14	Personnel services (planned: 100 persons)
	Employees in current projects: 42
	Planned number of employees 174

The further training and retraining measures of ABS-Stahl at Riesa are situated, in terms of their content, largely within the framework already set out for SWR AG, although they are scarcely significant in terms of the number of participants, at 38 in total (status: December 1992), with the result that they are not covered separately here.

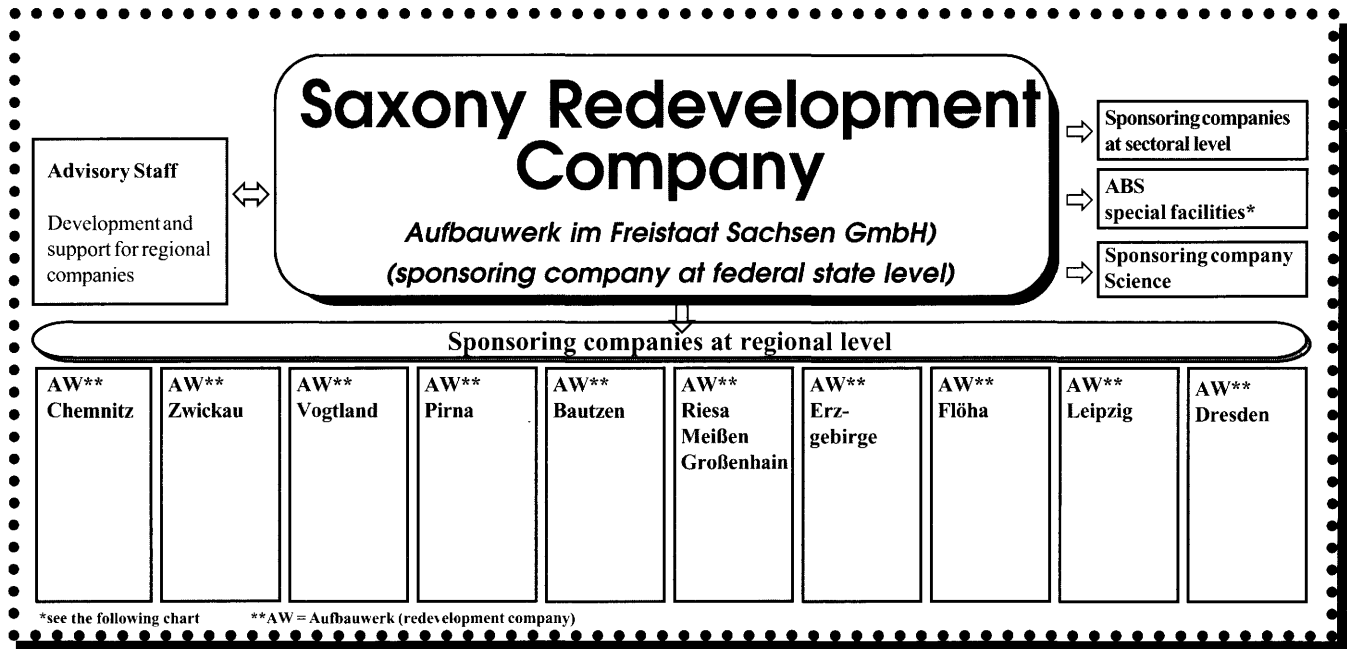


Aufbauwerk im Freistaat Sachsen GmbH (Free State of Saxony Redevelopment Company)

Notes

In addition to the special arrangements accompanying structural change under the Federal Labour Agency, numerous initiatives were also taken at national level in conjunction with the *Treuhand* and the unions in support of the transformation process.

The *IG Metall* union in particular has adopted an active position in Saxony in relation to



Notes

ABS special facilities

A total of six ABS special facilities were established, as follows:

- Mechanical and Plant Engineering: based at Leipzig;
- Electrical Industry: based at Dresden;
- Rail Vehicle and Agricultural Machinery Building: based at Bischofswerda;
- Steel: based at Riesa;
- Tool and Textile Machinery Building: based at Chemnitz;
- Road vehicles: based at Zwickau.

These ABS special facilities, deriving directly from an initiative adopted by the Dresden regional office of the *IG Metall* union, created an opportunity for transferring into these companies the large numbers of short-time workers with zero working hours who were employed at the time in particular within the metal and electrical industries in Saxony, and for securing their status initially.

The personal severance pay due to an employee on his transfer from a releasing

company to ABS-Stahl is paid into a special account at ABS.

This special facility is not used for financing the routine business of the ABS, and is also not part of the estate in bankruptcy, should the situation arise. It is used solely for the co-financing of measures undertaken by the employment company at a level equivalent to the achievable interest rates. The amount of his personal severance pay will be paid to any employee leaving the ABS special facility.

By "placing" his severance pay in this way, every employee contributes to the financing of the employment company, even if only to a comparatively small extent.

It is thus possible to use the available time to set up new and meaningful employment creation measures and business activity projects, to promote training, and by so doing to provide those concerned with better chances for re-entry into a job, but also to give employees the time to search for a new job.

the social underpinning of structural change, and in fact has played a leading role in the search for and formulation of active structural policy.

One significant result of these activities was the establishment of the *Aufbauwerk in Freistaat Sachsen GmbH* (Free State of Saxony Redevelopment Company) in September 1991.

The redevelopment company is a joint initiative by the public authorities, employers' federations, unions and the Dresdner Bank. The company has a limited life, initially until 31.12.1996.

The **task profile of the redevelopment company** has been defined as follows:

“The central task of the redevelopment company is to support company, local authority and regional activities to secure existing jobs and to create new jobs, above all in the context of ABS companies (companies for job promotion, employment and structural development in the steel industry), through

a) advice on the logical and effective utilization of the opportunities for job creation and vocational in-service training provided by the Labour Promotion Law; and

b) preparation for integration into old and new businesses and for the establishment of new businesses.

The promotion and the progressive development of a medium-sized business structure occupy a leading role in the work of the redevelopment company. This requires the development of decentralized structures with a view to creating jobs from local need analyses and organizing training, i.e. finding regional solutions which contribute in a concrete fashion to the improvement of working and living conditions and economic development”.

The aforementioned decentral structures were and are established as sponsoring companies at a regional level (TGR) and as special ABS facilities at sectoral level.

Provisional assessment

With the total collapse of the steel undertaking affecting the structure of an entire region, the socially acceptable restructuring of an old and antiquated steel site into a modern industrial site is a demanding task, which is made all the

more difficult by the poor overall economic situation in the new *Länder* and by the fact that a basic economic and social change is taking place at the same time.

In these conditions, optimal use has been made of the available employment market policy instruments. One very encouraging aspect (from the point of view of environmental and employment policy) is the close identification with the “site recycling” concept.

Taking the concept of structural change outlined here as the starting point, and thanks to a process of intensive acquisition, a cooperative approach and optimum support, it has proved possible to attract a number of investors who hold out considerable hope of employment development for the Riesa region.

At the time of writing, 51 companies have established themselves on the former SWR AG site as hived-off operations or relocating businesses. Between them, they provided employment for 2 580 people at the start of January 1993; this is an encouraging 80 per cent of the originally planned level of employment. No account was taken of people working on income-generating projects run by the ABS-Stahl subsidiary at Riesa. The number is expected to increase to 3 200 employees by January 1994.

The *Elbe-Stahlwerke Feralpi GmbH* company will continue the tradition of steel production, albeit with far fewer jobs and much lower annual production. This plant produces constructional steel, essentially intended for supply to the regional construction industry. According to the experts, a further 1 200 jobs can be expected to be created in the surrounding region.

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Not only is the approach to reorganization described here important for the region in the sense of employment market policy, but it also improves its image. It also has an indirect business-promoting effect, given the right media coverage.

It is nevertheless true that the restructuring of the Riesa steel site will not offer adequate solutions for a large number of employees, and that the number of jobs in the region will eventually be reduced to fewer than half, even if all the plans are implemented in full.

Notes

Model: Qualifizierungs- zentrum

Qualifications centres of the kind described here are the former training facilities of steel companies in regions where such companies dominated a relevant part of the employment market and the training supply. Their training facilities are being transformed on a broad basis of social consensus into qualification centres with a regional accent and are intended to play an active part in structural change in the region.

This concept was developed by the *Industriegewerkschaft Metall* union in conjunction with Works Councils and representatives of the trainees and managers from the personnel departments of the companies originally concerned. The primary aim was to ensure that the companies upheld their responsibility for the region, and to maintain existing capacities.

In order to guarantee the supply of training places for the region, the company managements reach agreement with the other players (local authorities, chambers of trade and industry and unions) on the formation of limited liability companies. These extend the companies' former training facilities into more general-purpose regional qualifications centres.

The aim of these centres is to maintain the existing training capacities and to put them to

active use in the structural change in the region, developing a distinct regionally oriented profile.

This includes training for the companies belonging to the limited company, and for small and medium-sized companies in the region. The range of facilities offered focuses on occupations and qualifications for which there is very likely to be a considerable demand in the years to come. The qualifications centres are also concerned with the development of new products and services and the creation of positive site factors for new businesses in order to attract new sectors of employment.

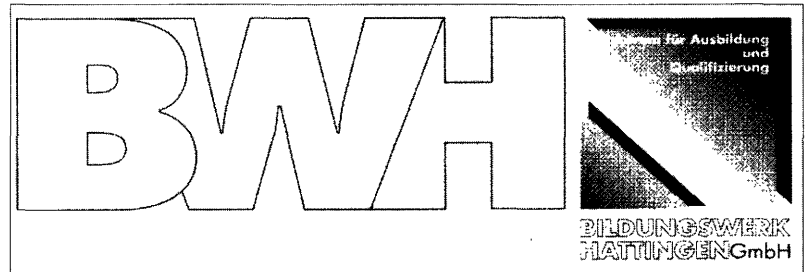
Descriptions are provided below of two of the four centres at Oberhausen, Osnabrück, Hattingen and Duisburg-Rheinhausen.

Bildungswerk Hattingen GmbH (BHW)

The Hattingen region, a traditional location of suppliers to the steel and mining industries, was unable to avoid major job losses caused by the coal and steel crisis. The unemployment

Germany

E17 is based on a case study by Detlef Ullenboom and Hans-Werner Franz



Notes

4.4 per cent in 1978 was still below the average for the *Land* of North Rhine-Westphalia, although at 16.8 per cent by 1988 it had risen well above it. The decline in jobs in the metals industry at Hattingen, from about 10 500 (1978) to about 5 200 (1988), can be attributed largely to the Thyssen Heinrichshütte (THh) company (later renamed as the Vereinigte Schmiedewerke GmbH), where 4 500 jobs were lost during the period in question.

With the support of the *Land* of North Rhine-Westphalia and regional players (Labour Market Administration, local authorities, local *IG Metall* union, chambers of trade and industry and Works Councils and company management of THh), the shareholders of *Vereinigte Schmiedewerke* (VSG), the city of Hattingen and the Hans-Böckler-Stiftung - a foundation of the DGB (German trade union congress) - formed the *Bildungswerk Hattingen GmbH* (Hattingen training company) on 21.7.1988, and by so doing secured the continued existence of the THh (now VSG) training workshop.

Shareholder	Share in DM
Vereinigte Schmiedewerke GmbH	12.500
Stadt Hattingen	12.500
Hans-Böckler Foundation of the DGB	12.500
Ennepe-Ruhr District Council	12.500
Equity capital	50.000

Aims

The *Bildungswerk Hattingen* seeks:

- to maintain material and human resources for qualified training, to separate the initial training structure from the requirements of major companies, and to prepare people for the kind of work and working conditions found in small and medium-sized companies;
- to develop training facilities, with content and organization tailored to the needs of companies in the region, and take account of the skills and experience of production and maintenance workers;
- to combine training and technological innovation, and in so doing to give an impulse for the spread and development of new production processes.

In October 1990, the Ennepe-Ruhr District Council, in which Hattingen is situated, decided to acquire a share in the company, to which end the VSG sold half of its original investment to the District. The company then had the ownership structure shown in the Table.

Financing

The *Bildungswerk Hattingen* is financed, or finances itself through:

- Revenue from the Federal/*Länder* programme for maintaining future-oriented training capacity in the coal and steel regions of North Rhine-Westphalia;

Notes

Advisory Council of the Bildungswerk Hattingen

- The *Labour Market Administration* may comment on the employment market and training situation and the regional qualifications needs;
- The *chamber of trade and industry* is familiar with the regional training situation and is able to formulate requirements in respect of training courses;
- The *Wirtschaftsvereinigung Stahl* (steel trade association) points out the quantitative situation and the qualitative requirements for training from a cross-company point of view;
- The *Hans-Böckler Stiftung* (foundation), as a body for the promotion of study and codetermination, develops DGB concepts for vocational training, giving special consideration to the interests of the employees;
- The *Berufsförderungszentrum Essen e.V.* (Essen vocational promotion centre), with its experience as a vocational training centre for adults, helps to formulate training course contents and methods;
- The *City of Hattingen* and the *Ennepe-Ruhr District Council* represent the public interest in qualified training in the region, as well as the requirements of local authority economic development and industrial relocation policy.
- The *Ministry for Economics, Small Businesses and Technology* formulates the objectives of the *Land*, in particular with regard to structural change in the Ruhr region;
- The *Works Council* involves itself in the training of employees and in the interests of trainees and trainers, by indicating possible training needs from its point of view.

- Income from training for the internal needs of the VSG;
- Income from qualification measures;
- Proceeds from development work and outside production.

A **board of trustees** was formed to monitor the budgetary and economic management of the company. It consists of one representative for each shareholder and safeguards their rights. The board receives professional support for its

work from the **Advisory Council** (*see Chart*). It is an association of institutions which are concerned with problems of vocational training from various points of view and thus have access to a broad spectrum of knowledge and experience.



Notes**Training**

66 places per year are available for initial vocational training, the type of occupations being characterized less and less by what used to be the dominant industry. The training of 30 out of the 60 trainees in the industrial/technical area receives financial support through the Federal/*Länder* programme; the other 30, together with 6 commercial trainees, received training in 1991 to meet the needs of the VSG.

The industrial/technical training will be differentiated in future, and greater emphasis will be placed on commercial training. The BWH will also enable its trainees to transfer what they have learned to other training and working conditions in the region, by teaching them key non-technical skills such as independence and the ability to communicate and cooperate and stimulating their motivation for further training. The ongoing restructuring of the industrial metalworking and electrical trades has an important role to play in all this. It also provides small and medium-sized businesses, which are either not able or not prepared to meet all aspects of training themselves, with supplementary courses on which their trainees can obtain qualifications.

Further training

As even top-rate initial training is increasingly becoming insufficient for an employee's full working life, the training centre provides a form of training adapted to the needs of the region. Support is provided here for small and medium-sized companies in such areas as computer-assisted technologies (CNC technology, CAD/CAM, and stored-program control) and hy-

draulic and pneumatic engineering. In addition, the BWH also runs courses at the request of the Labour Market Administration under the provisions of the Labour Promotion Law (e.g. for migrant workers arriving from the East) and devises computer courses for commercial training.

Regional cooperation

The BWH builds up regional cooperation structures and mounts joint projects in cooperation with various other institutions. Most of these lead to an environmentally relevant qualification, such as the concept study "environmentally and innovation-oriented training", which was implemented jointly with the Department for Environmental Protection of the University of Dortmund.

The aim is to make Hattingen the environmental centre of North Rhine-Westphalia and, by maintaining the training facilities of the coal and steel industry, to satisfy the need for qualifications of the regional economy. The training centre is also involved in model experiments with other sponsors in the region.

Notes

Qualifizierungszentrum Rheinhausen GmbH (QZR) (Rheinhausen Qualifications Centre)

Following notification by Krupp Stahl AG of its intention to close the Duisburg-Rheinhausen plant, the employees and their representative organizations made a major public-relations bid to save their jobs. *One* result of the negotiations between the federal government, the *Land* government of North Rhein-Westphalia, the parties to the collective agreement and the Works Councils aimed at securing the existence of jobs and training places in Rheinhausen was the establishment of the **Qualifizierungszentrum Rheinhausen** (Rheinhausen qualifications centre), which can be traced back to an initiative of the *IG Metall* union. It was founded as a *GmbH*



(limited company) in mid-December 1987 with the following shareholder composition:

The local Labour Market Administration, the Fraunhofer Institute for Microelectronic Circuitry and Systems, the University of Duisburg, the Essen Vocational Promotion Centre, the Duisburg Chamber of Commerce, the Ministries at federal and *Land* level, the company Works Council and three representatives of the *IG Metall* union are represented on the **board of trustees**.

Shareholder	Share in DM
Krupp Stahl AG	25.000
Fried. Krupp GmbH	20.000
Mannesmann Röhrenwerke AG	30.000
Stadt Duisburg	12.500
Lower Rhine Chamber of Industry and Commerce Duisburg-Wesel-Kleve at Duisburg	12.500
Equity capital	100.000

Training

The “traditional” training arm of Krupp Stahl AG, which previously concerned itself mainly with technical occupations in the steel sector and the stock occupations in the industrial metallurgical and electrical sector, was revamped to reflect the new metallurgical and electrical functions. Similar changes were made to the commercial training arm.

This reform means that the communication of specialized skills is no longer the sole concern, but rather that the trainees should learn to adapt independently and flexibly to new situations and requirements. Skills of this kind are

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indispensable in the changing regional economic structure. In addition, the declared objective is to improve the chances for young women through qualified vocational training.

A **full course of training** is offered by the Rheinhausen Qualifications Centre in the following occupations at the present time:

- Office administration;
- Office communications;
- Industrial administration;
- Forwarding and freight;
- Electronics (special subject: industrial engineering);
- Communications electronics (special subject: information technology);
- Industrial mechanical engineering (special subject: industrial engineering);
- Machining engineering (special subject: machining).

Further training

The Rheinhausen Qualification Centre concentrates on “applied logistics”, “automation technology” and “office communication and organization”. The courses take account of the latest technical standards and provide not only specialist skills, but also human values such as the ability to act independently and team-spirit.

The intention here is to provide further training for workers from companies within the regional economy who do not yet meet, or no longer meet, current or future requirements.

The idea is to match the training to the needs of the client (companies already located in, or about to relocate to, the region).

Innovation

The Rheinhausen Qualifications Centre is also seeking to fill “niches” which are ignored by other providers of training. It perceives a particular need amongst small and medium-sized companies which are in the process of entering new markets as a result of structural change, and where there is a requirement for new skills. At the same time companies such as these have a need for advice on the use and the organizational incorporation of new technologies. The Centre thus hopes to be able to keep pace with what is happening in the companies and to provide realistic training.

It will also seek to cooperate with universities and other scientific institutions in the region, as a source of further ideas. The aforementioned **board of trustees**, which is involved in various projects, was formed for this reason.

Notes

Model: ZWAR Zwischen Arbeit und Ruhestand

The aim of ZWAR (= between work and retirement) is to help to stimulate self-help for a life in early retirement. People who have taken early retirement and their partners are supported to develop new life perspectives by way of neighbourhood schemes and projects.

Background

ZWAR was created in 1979 on the basis of the experience gained at the University of Dortmund over a number of years with its “pensioners’ studies” and “academy of the third age”. The initiators wished to find ways of dealing with a **new social group**: the “**young old**” in regions undergoing industrial restructuring; this is work with people - predominantly steelworkers and mine-workers - who leave gainful employment early and have to gear a relatively long period of their lives in which they are con-

fronted with quite different framework conditions.

They tend to see themselves as having been made redundant and “forced” into retirement, but also as having had the load taken off their shoulders and freed to live a different life. The “young old” are faced with the dilemma of clearly no longer being needed, in spite of being willing and able.

Their entry into the “third age” is accompanied by various changes, although these are mainly perceived as being of a negative nature:

- Loss of social status and social roles in society;
- Loss of social contacts at the workplace;
- New time structure, maximising their freely available time;
- Change in self-esteem;
- New family situation resulting from being home more.

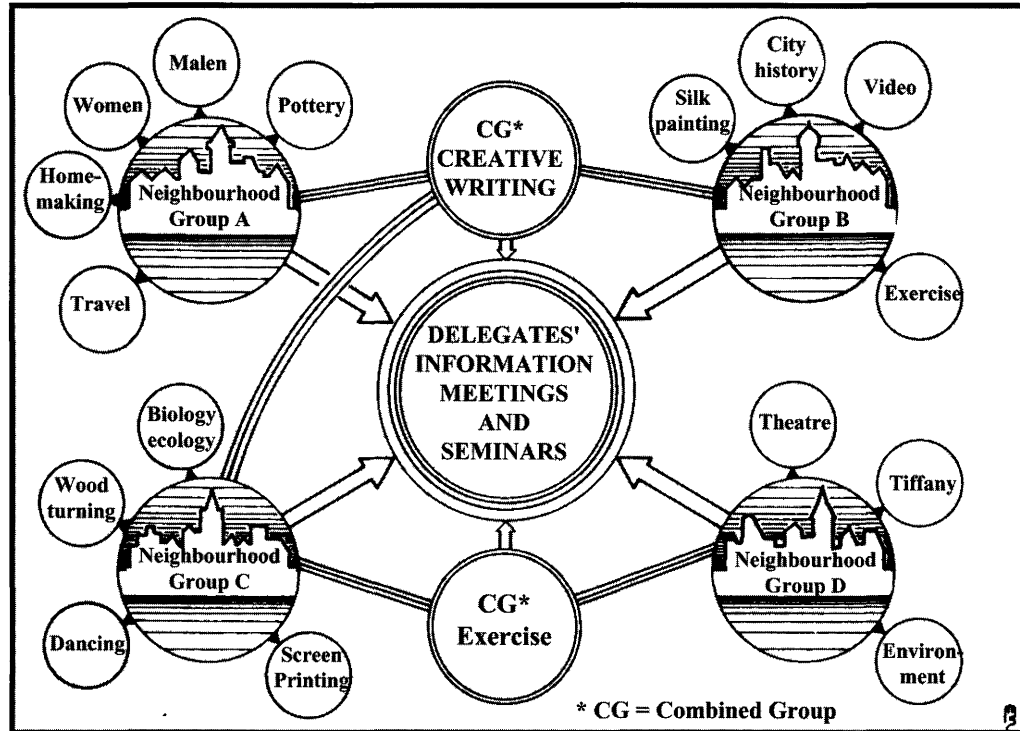
The project was not linked to the University, but rather to companies and neighbourhoods; it attracted support from industrial unions and the HOESCH steelworks. Since 1984, ZWAR has attracted financial support via the Ministry for Urban Development and Transport of the *Land* of North Rhine-Westphalia. The *Trägerverein ZWAR e.V.* (ZWAR sponsoring association) was established in 1990, its members coming from welfare associations, the City of Dortmund and the trade unions.

Germany



E18 is based on a case study by Detlef Ullenboom

Notes



Organization

ZWAR is subdivided into four types of group (see chart):

- basic neighbourhood groups;
- sub-groups of the above;
- combined groups;
- delegates' group

The **basic groups** are the "cells" from which all activities proceed, and which receive the feedback. Based on these are the **sub-groups**, with their various thematic points of emphasis, and the **combined groups** (see chart), wherev-

er there are insufficient people for particular interests in the basic groups. The **group of delegates** takes care of the networking of all basic and combined groups. It meets monthly. In addition, seminars are held three times a year for delegates and for women's affairs, at which subjects of special interest are discussed.

In the first seven years of its existence, the work of ZWAR was directed mainly at establishing and consolidating groups in parts of the cities, and at developing networks spanning the various parts of the cities. The main emphasis since 1986 has been placed on the "advice" and "model transfer" aspects.

Advice involves the passing on of experience to other areas of socio-pedagogical work, especially concerning organisational planning and implementation, institutional consultancy, supervision, and the provision of assistance in connection with the construction of a ZWAR-specific approach to “cultural work with older people”.

As far as **model transfer** is concerned, groups were set up in various local authority areas and there were systematic transfers with the towns of Bergkamen, Ahlen, Hamm, Lünen, Bottrop and Herten. The starting point as a general rule is a request for advice from an institution or a local authority. The next step is the provision of information relating to all initiatives and associations, etc., which are actively involved in working with old people in the local authority area. A group of sponsors is then formed in order to implement the ZWAR concept, with continuous support and advice from ZWAR.

Target group

The participants in the ZWAR scheme are the “young old”; they are essentially industrial workers of both sexes who have been made redundant under the various early retirement arrangements which take effect as early as 50 (mining) or 55 (steel), as well as the long-term unemployed and those who are unfit to work, who have little or no chance of placement in the employment market. The following **data relating to participants** are available (status 1988):

- 55 per cent women, 45 per cent men;

Quantitative development of ZWAR groups from 1979 to 1990

Year	Basic groups	Sub-groups	Combined groups
1979	3	--	--
1984	11	approx. 50	4
1985	15	75	9
1986	18	81	14
1987	19	66	19
1988	22	81	23
1989	28	127	22
1990	29	175	31

Notes

- Average age 60 (women 59, men 61);
- 73 per cent of the women and 77 per cent of the men have a lower secondary school leaving certificate;
- 8 per cent of the women and 3 per cent of the men were still in gainful employment;
- 28 per cent of the men were in early retirement; of the 63 per cent of the men who were already retired, by far the majority had previously been in early retirement;
- Of the women, 21 per cent were in early retirement, 71 per cent were “housewives”, of whom 14 per cent had only ever been housewives, and 57 per cent had previously been in gainful employment.

Notes

This group of persons may be characterized on the whole as follows:

- low involvement in social life;
- not much disposable income;
- needs-oriented, rather than consumption-oriented;
- poor health;
- job-related skills;
- school career curtailed for historical reasons (lower secondary school leaving certificate);
- lots of time available;
- need for new social contacts.

Notes**Concept:
groups as a place of
learning**

The ZWAR “teamers” provide support work within the groups. They are neither leaders nor advisers. The aim is rather for free learning to take place in a non-hierarchical atmosphere, irrespective of any previously acquired qualifications and without an ultimate examination objective. We know from experience that there is a process lasting for three years in which the autonomy of the group grows, the members are able to act increasingly independently, and the “teamer” - after an initially strong involvement in organization and moderation - takes a back-seat.

Most group members find themselves in an entirely new situation, in that their working life was clearly structured. ZWAR offers no subject-specific courses or seminars. The principle of process-oriented and product-oriented learning calls upon each group initially to identify opportunities of their own accord. As a part of this periodic “re-orientation”, the participants come to realize that a functioning group depends not on a leader, but rather on individual group members.

One frequent consequence of the breadth of the spectrum of interests is that both group members and “teamers” can only cover partial aspects of the various subject areas. In these cases, the groups utilize whatever facilities are available locally, by inviting experts to act as advisers.

WESTFÄLISCHE RUNDSCHAU N. 83

R DO 6

Dortmund und Umgebung

Donnerstag/Freitag, 8./9. April 1993

Crew setzt Karfreitag die Segel auf dem Plattbodenschiff - Winterpause zu umfangreichen Reparaturarbeiten genutzt

Frauen ertern nun die „Vertrauen“: ZWAR segelt in den Sommer

Von Andreas Winkelsträter

„Leinen los“ heißt es am Dienstag für die „Vertrauen“ im Heimathafen Dortmund. Dann will die Crew Zwischenarbeit und Ruhestand (ZWAR) die Segel setzen und mit ihrem Plattbodenschiff auf große Tour gehen. Segelort sind den ganzen Sommer über. Bei strahlendem Sonnenschein, hoffentlich ausreichend Wind möchte sich die ZWAR-Segelgruppe immer eine frische Brise um die Nase wehen lassen.



Karl-Heinz Kaufmann mit letzten Anstreicherarbeiten

Angefangen hat alles 1995 als ZWAR mit Hilfe des Landes NRW für 80.000 Gulden den Kabinenfrachter „Vertrauen“, ursprünglich ein Lastenseger kauft. „Als wir den Kahn dann in Dortmund an Land gehoben haben, entdeckten wir das bei mir“, so Roland Schubert (64), einer der ZWAR-Streuer, die von Beginn an dabei sind. „In der 4,5 Millimeter starken Außenhaut waren sechs daumendicke Löcher.“

„Gut ein Jahr lag der Kabinenfrachter zunächst auf dem Trockenen. Wir wollten ihn schon fast in einen Hochofen schubsen“, scherzt Heinz Romer (60). Schließlich wurde das Schiff in einer Werft „gedoppelt“, sprich auf die Außenhaut wurde eine neue aufgebracht.

„Dann haben wir so langsam angefangen, ein Schiff daraus zu machen“, so einer der Schipper, Werner Bergmann (61). In mühevoller Kleinarbeit wurde das Schiff auf Vordermann gebracht. Unzählige Stunden investierte die Crew. Zunächst bekam die Vertrauens einen neuen Aufbau aus Stahl. Sämtliches Inventar wurde herausgerissen, es war nur noch der nackte Rumpf vorhanden. Dann ging's an die Kabine. Heute befinden sich sechs Schlafplätze auf dem 18 Meter langen Boot. Die Kabinhöhe wurde vergrößert, so daß man nun bequem darin

stehen kann. In jedem Sommer schippert die Crew über Kanäle, über die Niederlande auch in die Nordsee.

Doch bevor sie in diesem Jahr auf große Fahrt gehen konnte, standen erneut große Reparaturen und Erneuerungen an, wurde das Boot gründlich überholt. Angefangen von der neuen Ruderanlage – mit Servolenkung, wie die Mannschaft gesteht – bis zur neuen Kücheneinrichtung sowie neuen Strom- und Elektroleitungen reichten die umfangreichen Arbeiten. Überall wird noch gehämmert, gebohrt, geschliffen oder lackiert. Doch sind sich die Schiffer einig, daß sie ihren Zeitplan einhalten können.

„Am Donnerstag kommt noch unser Putzlappegeschwader an Bord“, lacht Roland Schubert. „Unsere Frauen übernehmen dann das Kommando an Bord“ und machen klar. „Schiff“ Karfreitag wird das ZWAR-Schiff dann erstmals nach der Winterpause wieder auslaufen. Eine Tour mit den Frauen steht auf dem Programm. Ziel ist Henrichsburg. Hierbei wollen die alten Hasen den bisherigen Landratten einen Lehrtörn anbieten.

Dienstag nach Ostern geht die Crew dann auf große Tour, wird die Vertrauens zur Sommerresidenz in Franke (Niederlande) auslaufen. Dann stehen Touren mit den verschie-



Wer kräftig zupacken will, der muß zur rechten Zeit auch Freizeit halten (v.l.) Roland Schubert, Otto Redder, Werner Gick und Werner Bergmann (WR-Bilder Franz Luthé)



„Klar Schiff“ machen die ZWAR-Segler.

densten ZWAR-Gruppen aus ganz NRW an. Meist eine Woche ist man auf hoher See, dann läuft man wieder einen Hafen an. Im Spätherbst geht's dann wieder in den Heimathafen Dortmund. Hier liegt das Plattbodenschiff seit Jahren immer an derselben Stelle im Marzhafen. „Zum Hafenantritt haben wir ein gutes Verhältnis“, so Otto Redder (66). Unweit des Ankerplatzes steht auch der große Container mit Werkzeugen und Ersatzteilen.

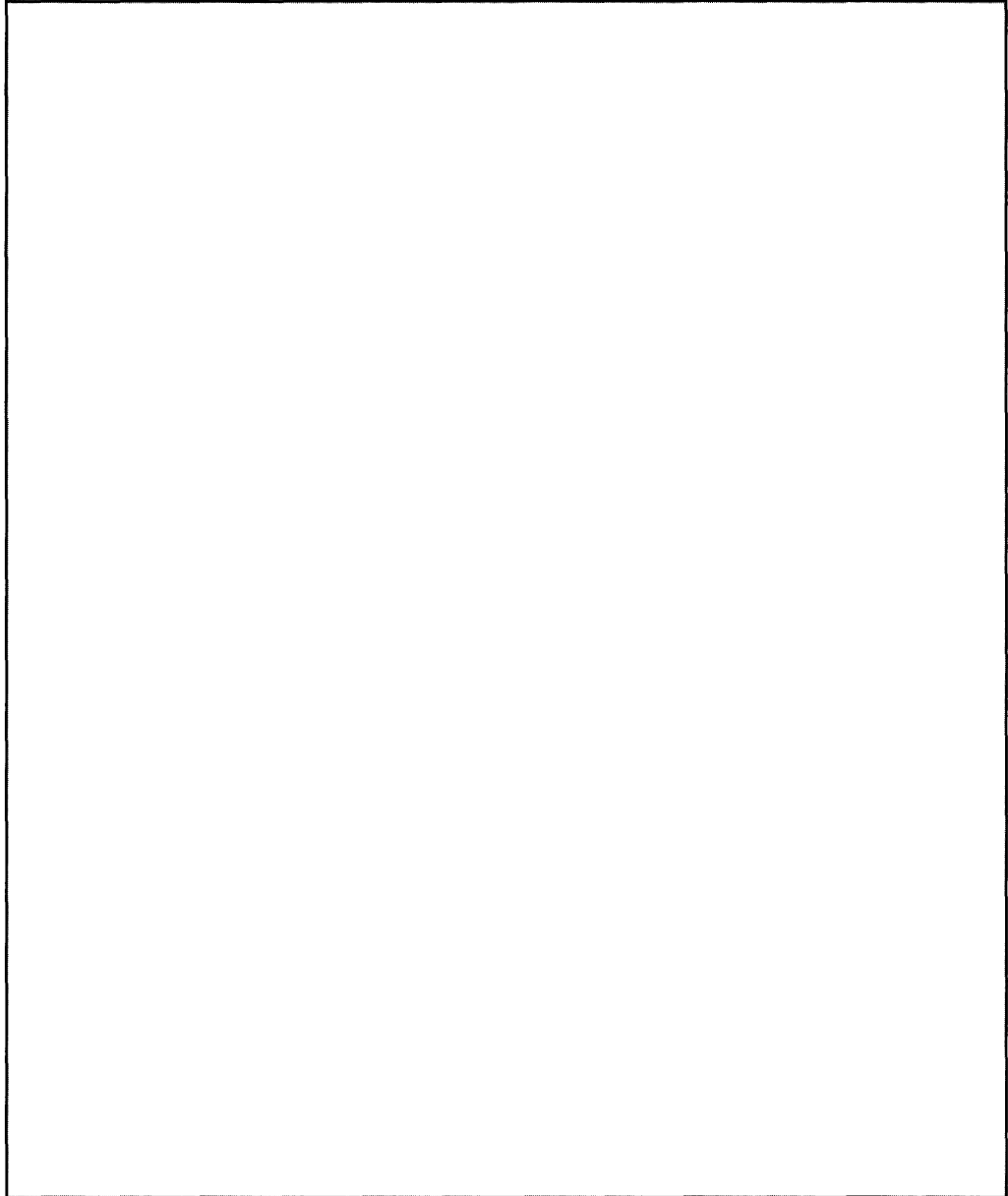
Probleme bereitet den Matrosen nicht die alten Segel. „Die sind aus Baumwolle und saugen sich bei Regen verdammt voll und das geht dann mächtig in die Arme. Schließlich sind wir nicht mehr die Jungsten“, so Roland Schubert. „Wir suchen noch Sponsoren für neue Segel. Rund 10.000 DM müßten in die 140 Quadratmeter investiert werden.“ Na dann. „Allzeit eine Handbreit Wasser unterm Kiel.“

Newspaper article

The newspaper article describes the activities of a ZWAR group who bought and did up a sailing barge and used it for trips from their base in Dortmund.

Manual Social Crisis Management

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Notes

Union initiatives

This chapter sets out to describe and document initiatives by the trade unions whose contribution to crisis management goes beyond the traditional scope of union activities. At every stage, the unions have drawn attention to the responsibility of steel and mining companies for the region. Their argument is that after decades of economic exploitation, even domination, of the people and resources of a region, they must not be allowed to abandon the people to face the problems of unemployment and the clean-up of huge areas that have been contaminated or covered with concrete. The fact that the unions, too, carry a share of this responsibility only dawned on some of them at a later stage.

A series of interesting ideas have emerged from the mobilization of union experience and imagination, some of which were implemented as such and some in association with other plans. A number of them feature in this manual as independent models:

- employment companies (E16);
- qualifications centres (E17);
- Saarland Steel Foundation (E14);
- Anti-crisis Division in Luxembourg (E10);
- *Fondo de Promoción de Empleo* (Employment Promotion Fund) in Spain (E6);

- *Begeleidingsdienst Limburgs Mijng gebied* (Support Service for the Limburg mining area) in Belgium (E7);

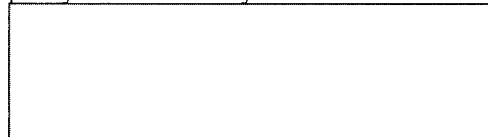
The aim of this Chapter is to present union initiatives in a more general form.

“Frankfurt Agreement”

The “Frankfurt Agreement” between the Iron and Steel Industry Federation and the *IG Metall* union was the culmination of a thought process which only emerged amongst the German unions at the end of the seventies, once it had become clear that the steel crisis was not simply a recession, but a far-reaching structural crisis, which could not be overcome solely with the traditional instruments of social crisis management.

The “Frankfurt Agreement” is the result of the ensuing discussion between the *IG Metall* union and the companies and associations. This initially produced no spectacular results in the “old” Federal Republic, although many of the ideas associated with this Agreement have found their way into individual initiatives (see above).

They only came to assume truly central significance when, at the time of German reunification and with the collapse of the economic system in Eastern Europe, all the conventional instruments of market economy and neo-liberal policy failed miserably.



Notes



Notes

Agreement

between

Wirtschaftsvereinigung Eisen- und Stahlindustrie
(The Iron and Steel Industry Federation)

and

The Industriegewerkschaft Metall
(Industrial union Metal)

dated 10 June 1987

1. In the context of an overall solution, the member companies of the Iron and Steel Industry Federation (including Mannesmann Röhrenwerke and Saarstahl Völklingen, but not Maxhütte) reached agreement, following discussions conducted between the *IG Metall* union and the Federal Ministry of Labour, to waive the redundancies originally envisaged.

2. The common view is that it is necessary for the jobs due to be lost in the steel industry in the context of restructuring to be replaced by new jobs, especially in the affected regions. Consideration should be given in particular to the concept of an employment company proposed by the *IG Metall* union and the proposals submitted by the companies. The Federal Government, *Länder*, local authorities, the *IG Metall* union and the companies are all urged to combine the appropriate measures in an action programme for the steel regions. The steel companies in particular undertake to ensure future investment will concentrate on the steel regions wherever possible. The steel companies will take steps to ensure that a similar approach

is adopted within the groups themselves.

3. Wherever this cannot be achieved in the short term, every opportunity must be taken to ensure a socially acceptable approach to the problem. This includes the application of such measures as the "replacement principle" in relation to the early retirement of older workers, and short-time working.

4. The companies, however, believe this is only possible if the authorities continue to provide non-repayable public financial support at the same level as up to 1985. The companies must receive equal treatment in this respect.

5. These principles will be expanded upon, following detailed agreement between all those concerned.

Frankfurt, den 10. Juli 1987

Frankfurt
Hans Storz

Duisburg, den 14. August 1987

Duisburg
Heinz Kriwet

Crisis management within the company

The expression 'crisis management within the company' is used here to mean social measures within the context of quality-oriented and hence human resource-oriented reorganization which contribute to the fundamental stabilization of the companies (or parts of companies) which survive the crisis. The examples described here are based on my own involvement in research and consultancy over recent years and derive exclusively from the steel industry. *Chapter C5* also contains a number of general comments in this respect.

The problem

The traditional patterns of crisis management in the European steel industry all suffer from the (unavoidable) shortcoming that redundancies are undertaken not so much by division or workplace, but rather by age groups or through voluntary decisions taken by the employees.

- This creates a need for very extensive transfers within the works or the company,

which have proved to be a challenge to the entire organizational and qualification structure.

- There is at the same time an intensive process of technical change, with greatly changing requirements for worker training.
- Finally, the old steel industry too has been engulfed by the secular trend towards quality production, again creating greatly changed organizational and training needs.

An increasing number of companies have reacted by subjecting their entire company and organizational philosophy to critical appraisal and change.

There can be no doubt that USINOR SACILOR, and in particular its flat products division (SOLLAC), has taken the lead in overcoming Taylorism, and has made most progress in its implementation, combining job reductions with job security.

Alongside the French "giant", there are other examples of smaller companies from almost all the countries of the EC, which, though less spectacular and less ambitious, are no less interesting. Unfortunately, time and space constraints mean that they cannot be dealt with in detail here.

We shall concentrate on two similar smaller steelworks (*Badische Stahlwerke* and *Sheerness Steel*). These cannot count on receiving ECSC support and have thus been obliged to cope with crisis situations unaided.

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Example 1: USINOR SACILOR

Two collective agreements in 1990 replaced the outgoing social plan arrangements CGPS, *see E12*) and were intended to mark a fresh start, after 100 000 jobs had been lost through the social plan during the eighties). Job losses were now to be linked for the first time with personnel development planning, with the aim of securing employment (*see C5*).

One of these was the industry-wide employment agreement (*Convention sur l'emploi*) entered into on 29.10.1990 between the GESIM (steel employers' association) and the unions (not including the CGT); this was supplemented for USINOR SACILOR by a collective agreement (of the same date) on employment (*Accord collectif sur l'emploi*).

Both agreements aim essentially to solve problems resulting from job-shedding through training. The complete picture only emerges, however, when a third agreement is considered; this is the "A. CAP 2000", which was entered into on 17.12.1990, again by the GESIM and all the unions apart from the CGT, and which is intended to impart flexibility to the previously rigid forms of remuneration and career advancement.

Training as a means of securing employment

The first two agreements are presented together here. They provide for an annual personnel planning exercise on the basis of three-year plans, which must contain the following information:

Personnel plan

- Development of organizational structure (workforce geared to technical changes);
- Planned training measures;
- Number, nature and qualifications of planned new appointments;
- Details of particularly old employees;
- Scale and nature of measures aimed at increasing (internal and external) mobility;
- Measures as a consequence of transfers within the works, the company or the sector, and details of the company departments concerned and the personnel groups concerned;
- Details of temporary work, temporary contracts, outside contracts and overtime planning.

All this information must be accompanied by justifications for the individual measures selected. The plans must also be supplemented by a critical appraisal of the previous planning year. The package as a whole must be discussed with the Works Councils and unions and adopted as a "Plan Social". This gives the unions and the Works Councils important and relatively comprehensive data on company and personnel planning.

Recruitment

Jobs which become vacant as a result of natural wastage and early retirement, or even newly created jobs, must in the first instance be filled internally, either accompanied by training measures for individual employees, or through transfers of suitably qualified personnel. Only

USINOR SACILOR

then are appointments of “outsiders” permissible. Priority is thus given to employees first, and then to the recruitment of young people, although young workers may not be recruited at the expense of older persons.

Job-shedding

The number of jobs which will be lost in the following year, and in which departments, is clear from the annual plan. The agreement contains several arrangements, which always take effect when the plans are implemented, for the purpose of cushioning the social consequences: in conjunction with the publication of the annual plan (usually in October/November, but not later than 1 January), the employees receive information about the extent of the jobs to be lost, the departments affected and the groups of employees. Details of the redundancy measures planned by the company (for example, early retirement, dismissals and transfers, etc.) are set out in the “social plan”. This is followed by a modified and, to some extent, financially less attractive social accompanying offer than that included in the CGPS (general social security agreement) of 1987 and the training agreement contained therein (*see E12*).

The “competence logic” as the central element of “A. CAP 2000”

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The arrangements in respect of training embodied in the first two agreements must be considered in close association with the third, and crowning, agreement, the A. CAP 2000. In addition to the **personnel plan** and the “*plan social*”, the company is required to present a **further training plan** each year, which must take account of the development of the company/works and the associated training requirements, in the sense of activity patterns/occupations.

Further training planning:

- is based on the known changes in what is required of particular job patterns;
- specifies the needs for the further training;
- takes account of the career wishes and aspirations of employees.

All these elements are brought together in a “personal interview on future training requirements”, with training being regarded as an instrument for safeguarding the company (against competition) and for employees’ career aspirations.

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**A. CAP 2000:
In-service training as a pathway to
promotion**

A. CAP 2000, the “agreement on the course of professional activity” (*Accord sur la Conduite de l'Activité Professionnelle*), which is regarded by the “*Force Ouvrière*” union as nothing short of a revolution, takes up two central aspects which had already been touched upon in the employment security agreement:

The competence logic (*la logique compétence*), i.e. acknowledgement of the knowledge and experience gained throughout a person’s working life, replaces the former workplace-focused approach (*logique de poste de travail*). Skills are no longer measured in terms of the “objective” requirements of the actual workplace, but rather in terms of people’s range of abilities, i.e., competence (built up over their entire life).

The skills-focused approach is concerned with making effective use of the existing aptitude of employees, of making neither excessive nor insufficient demands on people, and of not allowing skills to waste away. The career development path should match the skills (and desires) of people, and not simply “company needs”. The operational planning of the company must correspond to this aim. The agreement describes the “permanent interaction” between in-service training, acquired skills, and an appropriate work organization as the “main thrust” of the skills-centred approach.

The **career course** (*le déroulement de carrière*), i.e. the change from the previous pattern of advancement, which was solely dependent

on workplace evaluation, to a vocational advancement and career pattern, which relates to the skills of the employees, serves their further development, and at the same time makes the various pay grades more fluid. Skills and remuneration/payment for work are accordingly closely related. Payment relates to skills, irrespective of whether the employee concerned is employed in accordance with his qualifications. Company career patterns are thus no longer dependent on the change to specific jobs (whether highly or lowly valued), but rather on the knowledge and ability of the employees.

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Example 2: Badische Stahlwerke AG

The crisis in a nutshell

This company, located in Kehl near Strasbourg on the Rhine, first hit a crisis in the mid-70s, which led it to examine its business concept. A change of management brought stability until 1979. The company was obliged to petition for settlement proceedings to be initiated in January 1983, because the parent group (Korf) found itself in difficulties, and was finally only saved by the issue of guarantees by the *Land* of Baden-Württemberg. The settlement procedure was successfully completed in November 1984. Apart from natural turnover, there have since been no redundancies at BSW. On the contrary, the workforce has risen above the 1000 level.

At the centre of the measures which brought success were personnel policy and organizational, rather than technological, **change**. The changes related to:

- the entire company philosophy;
- the value attached to the skills and training factor; and
- work organization.

Company philosophy

The concept of **cooperation** is central to the new management style at BSW. It is linked to the conviction that conditions within the company must be characterized by trust, and that

this can only be created through complete openness towards the entire workforce. This fundamental principle manifests itself in a comprehensive concept of information which permeates the organization of the company and the way it operates. We have found much evidence that this is not just theory, but also practical reality.

A central aspect of this philosophy is the belief that optimum and ever improving skilling of the entire workforce is an essential prerequisite

- for the control of modern technology;
- for the continuous achievement of the highest quality standards; and
- for a high degree of motivation as the basis for high productivity.

Finally, an important component of this corporate concept is the realisation that a high level of skilling demands **participation**, i.e. an involvement-oriented approach to the organization of the company and work. The basic principle is that performance must be worth the effort, and that performance appraisal has a lot to do with quality.

Training

The workforce of BSW was in no way any less well-qualified than those of other steel companies. The workforce throughout the European steel industry is (was) subdivided into two groups:

- the largest group by a good margin, consisting of mainly job-specific semi-skilled work-

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**Badische
Stahlwerke
Aktiengesellschaft**

The basis of this part of E20 consists on my own research and a case study by Uwe Jürgenhake and Beate Winter.

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ers in production and associated sectors; and

- the group comprising well-trained workers with good craft skills in maintenance.

BSW moved towards providing more training, both internally and externally, in addition to offering in-service training for everyone with the aim of raising the general level of skills. An additional objective in respect of production was to ensure that as many people as possible obtained skilled operative qualifications. In the period 1979-1987 alone, the number of semi-skilled workers fell from 83 to 37%. At the same time, the proportion of skilled workers in the metalworking trades rose from 17.4 to 45.5 per cent.

The company established a training centre of its own at the start of the 1980s. Around 10 per cent of the workforce is made up of trainees. One feature unique to BSW is the "hybrid skilled worker", a trained process mechanic with a fully certified additional one-year qualification as a fitter. The opportunity to obtain this additional qualification is offered to the top twelve apprentices in each intake.

There is also a computer-based personnel development system covering all members of the workforce, in which the whole employment history is stored and entered.

Continuing in-service training is regarded as a right and a duty. Every employee, including the entire management, is expected to show that he/she has completed a minimum of 7 days' in-service training each year. In real terms, around 10 per cent of the workforce (not

including trainees) is participating in such training at any given time. Since the start of the 1980s, any production downtime has been balanced out by in-service training instead of by short-time working.

In-service training is also taken to include greater awareness of the technological and organizational state of the competition. For this purpose, visits are organized to all those plants throughout the world which are assumed to be better in certain respects. Regular visits are made to Japan, for example (140 participants up to 1991) and the USA (250 participants up to 1991). These visits usually include a collaborative phase. The travel groups consist of six persons as a general rule: supervisory staff at foreman level and skilled workers, as well as one member of the Works Council.

Work organization and participation

There is no clearly identifiable concept of work organization. A highly pragmatic approach is adopted to many aspects anyhow. The fact is, though, that the traditional individual workplace structure in the production area of the steel industry no longer exists. The promotion lines in the conventional sense have largely or completely disappeared, depending on the work area. There is no planned and organized job rotation, and equal skilling of workers in the various units is also not systematically sought, so there is no clearly identifiable model of group work. There is no doubt, however, that the permanent in-service training process and

the fact that performance is measured and rewarded not only individually, but also in group terms, has led to highly flexible job enlargement and to the formation of group work structures.

The steep rise in the level of skills has already led to maintenance and repair tasks being incorporated very largely in the work of the production team (*job enrichment*).

This work organizational development process is accompanied by broadly conceived quality circle activities, which are conducted according to need and to the requisite level of intensity. The problems or topics are set by management or by members of the workforce and are predominantly of a technical or safety nature.

In addition to the quality circles, there is an excellent and very lively suggestion system. Attention is paid to putting feasible suggestions into effect with the minimum delay.

Success is a saleable commodity

The approach adopted by the Badische Stahlwerke has not only made the firm the leader in Europe in a steel market (constructional steel) which is exceedingly difficult and competitive and is battling against cheap imports. BSW is now also selling the extensive in-service training and consultancy know-how gained through its involvement in all these activities with great success through its subsidiary company Badische Stahl Engineering GmbH. Sheerness Steel (*see below*) was one of its customers.

Example 3: Sheerness Steel

Sheerness Steel, like BSW, is an integrated mini-steelworks on the Isle of Sheppey in the Thames estuary. It originally produced predominantly constructional steel, although it has greatly widened its product range in recent years, with the result that higher-quality products account for an increasingly large share of production. Quality is the key word in the Sheerness philosophy, which proves to be a “typically British” variant of the BSW model. The plant, which dates from 1972, has transformed itself from a situation in which its very existence was in jeopardy at the start of the 80s into a leading candidate at European level (in second place behind BSW). It had 740 employees in 1991, practically the same as in the year of peak employment in 1976 (754).

Both management and unions at Sheerness Steel attribute this remarkable success to the strategy of Total Quality Management which the firm has pursued with such impressive consistency, with broader and higher skills levels, flexible working practices, preventive safety and health protection, high wages (compared with the regional norm), an open information policy and forms of direct involvement by the workforce. Sheerness Steel now also sells its know-how, using teams with a similar make-up to the BSW travel groups.

If we were to describe the process of change at Sheerness Steel in the same detail as for BSW, there would be much repetition. The Sheerness management never tire of pointing

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**SHEERNES
STEEL**

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out that, though they learned a lot from BSW, they tend to do things more logically, less pragmatically or quite differently, too. In order to put this to the test, however, we would need to know more and to make direct comparisons, not to say evaluations. This is neither possible nor desirable in the given context. A single part, occupational safety and health, will thus have to make do for the whole. Sheerness Steel claims to be European Champion in this area.

Preventive safety and health protection

The principal indicator of success for Sheerness Steel here is the time lost due to industrial accidents. The not unambitious aim is to be entirely **accident-free**.

As shown in the charts on pages 9 and 10, the safety drive had already met with considerable success. However, the time lost through accidents had been stagnating for years. The previous industrial safety system, under which, as Sheerness admits, management sees, plans, decides, and organizes, and which the workers then fail to put into practice, was consequently replaced by a new **four-principle approach** as follows:

- **Positive approach to safety:** Encouragement, or: "It is feasible to avoid accidents and the resultant time lost entirely". Most sectors have already completed some year without loss of time through accident. The objective of "accident-free operation" is achievable once people are firmly convinced of its feasibility.

- **Awareness of safety in the whole company:** Planning - responsibility - accountability, or: knowing how to work safely, and making sure that everyone is doing it.
- **Correct monitoring of safety:** Learn to perceive risks, or "Safety enjoys the same status as production, costs and quality".
- **The social approach:** Behaviour patterns must change, or: Accident-free operation can only exist in a company which is in constant change, and in which all employees are involved in this process of change.

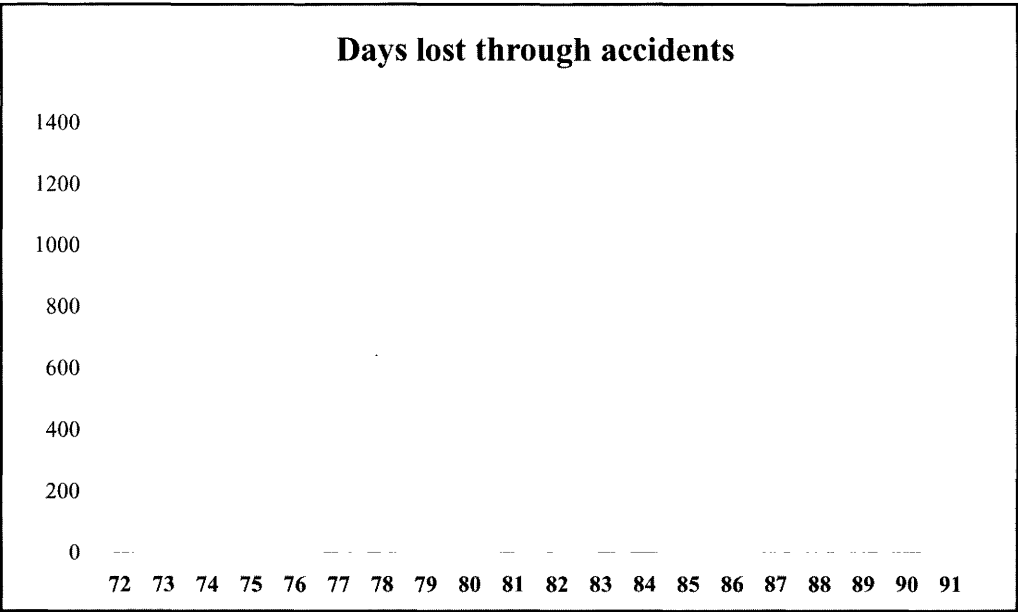
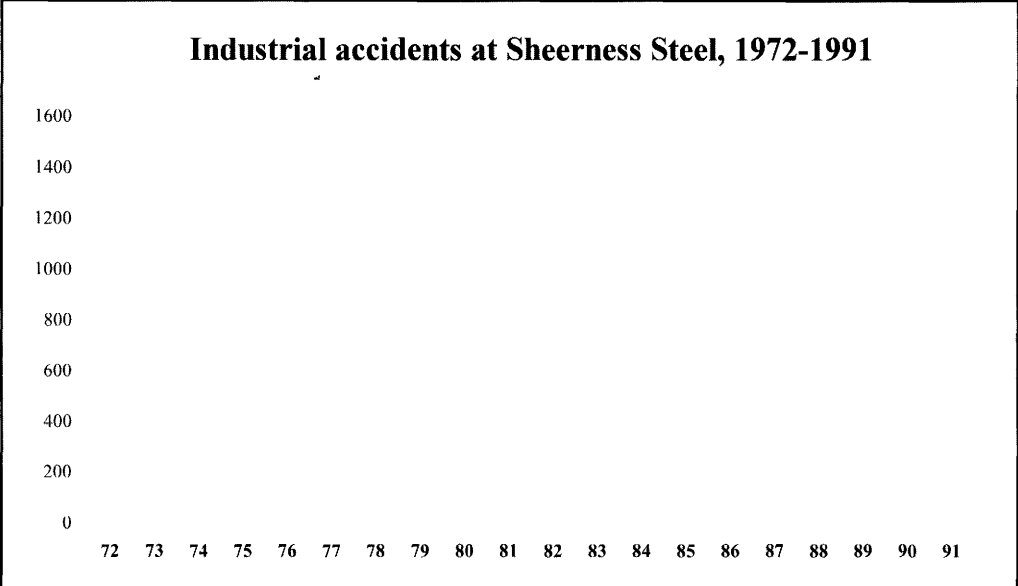
A ten-point plan is designed to put these principles into effect. At the same time, a comprehensive health check system was devised and implemented. This covers not only annual examinations, but also the offer of a medical consultation on one afternoon per week. The response has been very good. No distinction is drawn between work-related and, say, sporting injuries.

Evolution of accidents

The pattern of accidents at Sheerness Steel indicates that the old system was already being applied with increasing success. Comparing the accident figures for 1976 with those for 1991, it is clear that 87 per cent fewer accidents were reported for an almost identical workforce (754:740).

Let us now examine the principal indicator selected by Sheerness Steel itself, viz. the time lost due to accident. The seriousness of the accidents and the associated injuries has not decreased to anything like the same degree, so that the time lost due to accident has shown

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practically no reduction since the start of the eighties (*see the chart on the following page*). This is one reason why a stronger commitment to worker involvement is being sought - entirely consistent with the rest of the approach.

Final niggling doubts

First: The health of employees should be an aim in itself, even for a company whose declared prime objective is profitability in the context of Total Quality Management. One wonders whether cost minimization as a goal, with increased industrial safety as a means (principal indicator: time lost due to accidents), can really constitute an effective involvement objective for employees in the long term.

Second: The declared objective of worker involvement at Sheerness Steel is to sideline

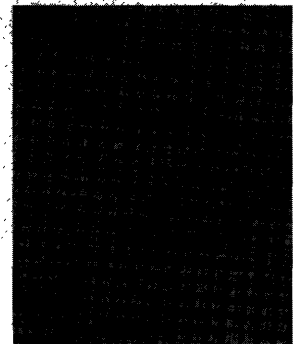
the unions, in spite of the fact that they have shown a predominantly cooperative attitude until now. "Unions", as the Personnel Director claimed at one of our interviews, "are simply the result of poor management. Good management must aim to have good workers enjoying good conditions. Then things will go well for the company and there will be no more need for unions".

This idea of pursuing a union-friendly policy without unions raises some extremely interesting questions: Does a totally quality-oriented company still need unions? Is individual participation possible in the long term without collective muscle? Is quality-oriented management capable in the long term of avoiding crises? What does quality management do with the workers in a crisis, if they have no union(s)? And what do the workers do in a crisis without union(s)?

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European Union - Commission (ed.)

Manual

Social Crisis Management in the Coal and Steel Industries - European Models and Experiences

by Hans-Werner Franz

1994 — 302 pp. — 25,5 x 22,0 cm

Luxembourg: Office for Official Publications of the European Communities 1994

ISBN 92-826-5796-5

The coal and steel industries have been through a series of severe structural crises which have led to serious job losses. An abundant repertoire of instruments for crisis management has emerged in the process, all of which are characterized by a desire to make necessary changes as acceptable as possible to the persons, companies and regions concerned. Individual instruments have consistently been combined in different ways to produce packages of social measures; these are presented in this manual for the first time as models and experiences from seven of the countries of the European Community. The manual also gives a systematic presentation (in tabular form) of all the customary instruments for stabilizing and reducing employment, and names the players involved and the most important sources of support by the European Community. There is an alphabetical index and the book is laid out such that it can be used as a guide and reference book in economic crisis situations, not only in the coal and steel industries.
