DIALOGUE

Working Paper No. 19

International
Labour
Office

Geneva

Restructuring enterprises through social dialogue: Socially responsible practices in times of crisis

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December 2010

Industrial
and Employment
Relations
Department
(DIALOGUE)

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ILO Cataloguing in Publication Data

Papadakis, K.

Restructuring enterprises through social dialogue : socially responsible practices in times of crisis / K. Papadakis ; International Labour Office. - Geneva: ILO, 2010
47 p. (DIALOGUE working paper ; No.19)

ISBN: 9789221244738 (print);9789221244745 (web pdf)

International Labour Office

employment security / social dialogue / collective agreement / enterprise restructuring / multinational enterprise / economic recession / EU countries / USA

13.01.3

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Visit our website: www.ilo.org/publns

Printed in Switzerland

Foreword

The present paper by Kostas Papadakis analyses examples of companies in which management, in collaboration with workers' representatives and unions, has designed and implemented socially responsible enterprise restructuring plans. The examples in this paper show that by creating space for dialogue and self-regulation aimed at protecting employment during restructuring processes, win-win situations can emerge, even in times of crisis. Thus, socially responsible companies can ensure both the long-term viability of the enterprise itself and employment stability for workers.

The author focuses on two broad types of practices at enterprise level embodied in 16 case studies: (a) transnational company agreements (signed between multinationals and unions and workers' representatives operating at the cross-border level); and (b) plant/national-level agreements. The vast majority of these cases are drawn from the European experience (widely defined), because that context presents industrial relations systems with well-established collective bargaining mechanisms and a strong culture of labour–management consultation and workers' participation, including restructuring.

The above elements, together with a forward-looking human resource strategy of the company (often summed up in a management belief in the capacity of its existing labour force to continue to be employed by the company, and employable after the crisis), constitute essential preconditions for successful approaches to enable enterprises to adjust to crisis situations while respecting employment and decency for the labour force. Arguably, this may explain why France and Germany demonstrated, during the recent crisis, possibly the greatest resistance to restructuring plans entailing massive lay-offs.

The socially responsible practices highlighted in this paper are broadly in line with the principles of the Global Jobs Pact adopted by the International Labour Conference in June 2009. The Pact assigns a key role to limiting or avoiding job losses and supporting enterprises in retaining their workforce, through well-thought-out initiatives that have been designed through social dialogue and collective bargaining at all levels.

However, in a crisis context job-saving measures (such as training and paid leave) largely depend on the availability of state-led institutions facilitating the anticipation and management of restructuring. But as public deficits mount, it is unclear how long countries will be able to resist pressures for an early exit from such job-saving measures.

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Acknowledgements

This paper draws on research conducted at the Industrial and Employment Relations Department (DIALOGUE) of the International Labour Office (ILO), Geneva under the supervision of Michael Henriques (Senior Adviser to the Director General of the ILO). It is based on several secondary sources provided by the European Foundation for the Improvement of Living and Working Conditions (Eurofound), the European Trade Union Institute and the European Commission.

Furthermore, many primary sources, such as interviews with management and union representatives involved in the negotiation of agreements, as well as inputs from experts, have been used extensively to depict and analyse the role of transnational company agreements. A complete list of contributors is in the References. (Responsibility for opinions expressed in this paper rests solely with their authors, and their publication does not constitute an endorsement by DIALOGUE or the ILO.)

The author wishes to thank various experts outside the ILO, notably Udo Rehfeldt (Senior Researcher, Institut de Recherches Economiques et Sociales), Evelyne Pichot (European Commission, Labour Law Unit, DG Employment, Social Affairs and Equal Opportunities) and Christian Welz (Research Manager, Eurofound).

A special thanks goes to the following colleagues for their key inputs and comments in preparing this paper: Tayo Fashoyin (Director, DIALOGUE, ILO), Youcef Ghellab and Susan Hayter (Senior Industrial and Employment Relations Specialists, ILO) and Nikolai Rogovsky (Senior Technical Specialist, Policy Integration Department, ILO).

Due to the nature of the recent crisis and fast developments in the area of enterprise restructuring, this paper's case studies are far from exhaustive; also, practices evolve. The paper should therefore be regarded more along the lines of a "sampler". Furthermore, a new research project under consideration will try to go beyond the purpose of this paper in order to depict "counter-examples" demonstrating how similar companies that do not pursue socially responsible practices fare in terms of employment and economic performance (with a cost-benefit analysis). Finally, additional research is under consideration with a view to identifying more non-European examples.

The ILO, in collaboration with external experts, is continually monitoring and evaluating developments. It will disseminate its findings regularly (http://www.ilo.org/public/english/dialogue/ifpdial/info/publ/index.htm).

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Acronyms

CEC	Confédération européenne des cadres/European Confederation of Executives and Managerial staff
CFDT	Confédération française démocratique du travail
CFE-CGC	Confédération française de l'encadrement–Confédération générale des cadres
CFTC	Confédération française des travailleurs chrétiens
CGT	Confédération générale du travail
CSR	Corporate social responsibility
DIALOGUE (ILO)	Industrial and Employment Relations Department
EC	European Commission
EMCEF	European Mine, Chemical and Energy Workers' Federation
EFFAT	European Federation of Food, Agriculture and Tourism trade unions
EMF	European Metalworkers' Federation
EIRO	European Industrial Relations Observatory
ERM	European Restructuring Monitor
ETUC	European Trade Union Confederation
ETUI-REHS	European Trade Union Institute for Research, Education and Health and Safety
Eurofound	European Foundation for the Improvement of Living and Working Conditions
EWC	European works council
FECCIA	European Federation of Managerial staff in the Chemical and Allied Industries
FECER	Fédération européenne des cadres de l'énergie et de la recherche
FISo	Fond d'investissement social
FO	Force Ouvrière
G20	The Group of Twenty Finance Ministers and Central Bank Governors
GUF	Global union federation
ICEM	International Federation of Chemical, Energy, Mine and General Workers' Unions
ICFTU	International Confederation of Free Trade Unions
IFA	International framework agreement
IMF	International Metalworkers' Federation
IRES	Institut de Recherches Economiques et Sociales
TCA	Transnational Company Agreement
UNI	Union Network International
WWC	World works council

Introduction

This paper highlights a number of socially responsible practices in the area of enterprise restructuring, observed in the aftermath of the global financial and economic crisis of 2008–2009 ("the crisis"). For the purposes of this paper we define enterprise restructuring as the act of reorganizing the legal, ownership, operational, or other structures of an enterprise in order to make it more profitable, with an impact on the employment or working conditions of its workers.

The paper focuses on labour–management restructuring agreements that are aimed at protecting the levels, as well as the terms and conditions, of employment in specific plants (plant-level agreements) or across all operations of the company (transnational company agreements – TCAs), while at the same time cutting or maintaining operating costs, for as long as possible given the situation of the company. These agreements (generally defined as "socially responsible restructuring") make workers redundant *only* as a last resort, once a wide range of measures has failed to produce the expected results.[1] The underlying assumption of these initiatives seems to be a management belief that by protecting the company's labour force during the crisis, the company will be in a better position to respond to the market opportunities that should emerge after the crisis, thus ensuring the long-term viability of the enterprise and stability of employment.

The rest of this paper is structured as follows. Section I provides figures on restructuring and their results in terms of loss of employment in the European Union (EU) and the United States (US), based on recent surveys. It also sketches various company-level measures, which are aimed at anticipating and managing restructuring and which may often be backed by public initiatives.

Section II depicts some successful labour–management approaches taking the form of TCAs. We draw on the experience of ArcelorMittal (Luxembourg), Schneider Electric (France), Ford Europe (United States/Germany), Club Méditerranée (France), Dexia (Belgium), Thales (France), Rhodia (France) and Unilever (Switzerland). These agreements with cross-border coverage have been signed either with the European works councils (EWCs) of these companies, or with a European and/or a global union federation (GUF) representing workers by sector of activity at European or global level.

Section III gives selected examples of socially responsible practices at plant level. We focus on the examples of European plants of multinationals, in particular Daimler (Germany), Schaeffler Group (Germany), Renault (France), PSA Peugeot Citroen (France), ArcelorMittal (Luxembourg and Romania), Adria Mobil (Slovenia), AXA Insurance (Ireland), and Brazilian plants of Mercedes-Benz, Ford and Volkswagen.

Section IV tentatively depicts key drivers of such practices and their effectiveness.

These practices are broadly in line with the principles of the Global Jobs Pact[2] adopted by the International Labour Conference in June 2009.[3] The Pact emphasizes the importance of limiting or avoiding job losses and supporting enterprises in retaining their workforce, through well-considered approaches, designed through social dialogue and collective bargaining at all levels. Most of these practices concern European companies and US companies based in the EU.

The purpose of this paper is to highlight sound practices in this area based on the guidance provided in the Global Jobs Pact. It does not depict counter-examples

[1] The paper excludes from its analysis enterprises where restructuring (let alone closures) has entailed mass compulsory redundancies.

[2] ILO, 2009a.

[3] For a recent ILO guide on socially responsible restructuring, see Ulrich et al., 2009.

demonstrating how similar companies that do not pursue socially responsible practices have fared in terms of employment and economic performance and trade-offs for companies, let alone a cost-benefit analysis for companies pursuing such practices.

I. Enterprise restructuring in times of crisis: Overview and trends

Restructuring trends in the European Union and the United States

Over the course of 2008 and 2009, the world economy experienced one of the most serious recessions of modern times, with heavy repercussions on employment. The International Labour Organization (ILO) estimates that in late-2009 the global unemployment rate reached 6.6 per cent, with the number of unemployed reaching 212 million. This was an increase of almost 34 million over the number of unemployed at the end of 2007. Most of this increase occurred in mid-2009.[4] It was reflected in the number of restructuring events reported in the world's two largest economies, the EU and the United States, where most multinational companies are headquartered.

An in-depth analysis of corporate restructuring and the various forms that it can take lies beyond the scope of this paper. Here, it may suffice to list the main categories of restructuring found in most reports dealing with this matter. These include: (a) openings and closures of locations; (b) increases or reductions of operations at locations; (c) transfers of production/service provision from one location to another within the same company (in the same country or another); (d) transfers of production/service provision outside a company to an external party ('outsourcing'); (e) mergers; (f) takeovers; (g) joint ventures; (h) divestments; and (i) bankruptcies.[5] Others briefly depict the main trends of restructuring in the two regions as reported in recent surveys.[6]

Broadly, according to a EU survey, the levels of announced job losses due to restructuring were significantly higher in 2008–2009 than in previous periods, with a peak around the end of 2008 and early 2009 (Box 1). The same survey highlights two major trends: (a) the proportion of all announced job losses due to bankruptcy has increased significantly; and (b) there has been a decline in the proportion of offshored, outsourced and relocated jobs.[7] The latter trend – more common among European than US companies – seems to be confirmed by a recent survey on the strategies of companies with globally extended supply chains during 2008–2010.[8]

[4] ILO, 2010, pp. 9-10.

[5] For a recent updated overview on the question of restructuring in some EU Member States see, Broughton, 2009; Hansen et al., 2009; Bergström, 2009; Neumann, 2009; and Kresal, 2010.

[6] E.g., Hurley et al., 2009; Hurley and Finn, 2009; Ulrich et al., 2009.

[7] The survey finds that most respondents are questioning earlier outsourcing decisions and are moving back to "in-sourcing" supply chain activities. This trend is most obvious in the automotive sector. Companies are in-sourcing in order to tighten control on supply chain performance, utilize existing manufacturing capacity and resources, improve response times and maintain important core competencies.

[8] PRTM, 2009, p.1.

Box 1.
Major restructuring trends, European Union

By July 2009 in the 27 Member States of the European Union, 22 million men and women were unemployed, 5 million more than in the previous year (mid-2008). Eurofound's European Restructuring Monitor (ERM) has monitored the extent of restructuring in Europe and the consequences for employment since 2002. (The ERM dataset is based on news and media reports of individual cases of restructuring identified by the incidence of restructuring job loss and job creation by country, region, sector and type of restructuring.) The 2009 fourth annual ERM report found that between 1 January 2008 and 30 June 2009, there were approximately 3,000 cases of restructuring, around 70 per cent of which led to job losses. Total job losses from restructuring (excluding cases of international restructuring such as international acquisition of business) amounted to over 900,000 jobs, with just over 400,000 new jobs announced in the same period.

The dominant form of restructuring in 2008–2009 – as in previous years – was "internal restructuring", that is, all forms of restructuring that do not fall into the other more specific categories (mergers and acquisitions, bankruptcy/closure, outsourcing, relocation or offshoring). Internal restructuring accounted for half of all cases in 2008–2009 (up from 36 per cent in 2002–2007) and 70 per cent of announced job losses in ERM restructuring cases. The second most common form of restructuring was "business expansion" (constituting 25 per cent of cases in 2008–2009). In the other restructuring categories, there were significant shifts with a sharp rise in cases of bankruptcy or closure but a decline in cases of offshoring, outsourcing and relocation. Offshoring accounted only for 3 per cent of announced job losses tracked by the ERM in 2008–2009 (down from 8 per cent on average since 2002) and was responsible for a significantly lower proportion (at least 5 percentage points less) of announced job losses.

In terms of sectors affected by restructuring, the primary sector (agriculture, fishing, etc.) and construction accounted for only a very small proportion of overall job losses and gains. Among ERM-announced job losses, 49 per cent occurred in industry and 47 per cent in services. Industry was affected proportionately more by restructuring job losses than services: six of the top 10 job-losing sectors were in manufacturing. Car production was especially hard hit by the decline in consumer demand. Manufacture of machinery/equipment (including production of engines, domestic appliances, weapons and capital equipment, etc.), was also responsible for a significantly increased proportion of job losses.

Over the first quarter of 2010, restructuring activity continued to be dominated by job losses, although the number of cases of restructuring captured by the ERM declined.

Source: Hurley et al., 2009, pp. 44-57.

In roughly the same period, similar trends were observed in the United States (Box 2).

Box 2.
Mass layoff statistics, United States

According to the Mass Layoff Statistics (MLS) programme of the Bureau of National Statistics, employers reported 11,452 extended mass lay-off actions, affecting 2,023,392 workers, in the whole of 2009. (The MLS programme is a federal programme that tracks the effects of major job cutbacks. While the MLS does not analyse restructuring cases directly, it offers an indirect way of assessing restructuring trends.) Lay-offs reached record highs (with annual data available back to 1996): compared with 2008, their number increased by roughly 36 per cent. The annual average national unemployment rate increased from 5.8 per cent in 2008 to 9.3 per cent in 2009, and private non-farm payroll employment decreased by 5.2 per cent, or 5,912,000. In terms of industry distribution of lay-offs, the private non-farm economy reported programme highs in terms of lay-offs in 2009. Manufacturing firms reported the highest number of lay-offs, with 652,886, followed by administrative and waste services (232,817), construction (232,279) and retail trade (166,763). Within manufacturing, the largest number of lay-offs was associated with transportation equipment, followed by food and machinery. In terms of reasons for extended lay-offs, business demand factors accounted for 46 per cent of the events and 40 per cent of separations during 2009.

Source: Department of Labor (United States), 2010, pp. 5-6.

Measures to manage restructuring: Overall trends

Since 2008 several company initiatives have been adopted, and in some cases bargained with unions, with a view to securing enterprise viability through cost-saving measures, while at the same time curtailing employment insecurity generated by restructuring.[9] The content and scope of every initiative differ according to the company, its economic situation, the sector in which it operates, and the availability of institutions aimed to anticipate and facilitate management of restructuring at the company level, including (since 2008) state-led anti-crisis measures (Box 3).

Box 3.
Anticipating and managing restructuring in the European Union

A recent report on measures designed for anticipating and managing restructuring in the 27 Member States of the European Union showcased a large number of measures. In terms of managing restructuring, the report identified the following measures:

- wage and labour cost reduction;
- short-time working;
- partial unemployment;
- temporary lay-offs;
- early retirement;
- dismissal and severance pay;
- dismissal and transition to new job; and
- training for transition and re-integration.

The report also categorized anticipating measures into two main areas:

- measures based on forecasting of economic and labour market trends, including early warning systems, which then feed into policy making. These forecasting measures are carried out by a range of actors, including national governments, regional and sectoral bodies, and the social partners; and
- measures aimed at anticipating and facilitating transitions, which usually involve a range of actors working together to help organizations and workers to anticipate the transitions that restructuring is likely to entail. These include strategic training initiatives designed to anticipate and fulfil skills needs and to support individuals in making the transition to new skills, competences and even occupations.

Source: Bergström et al. 2010.

In several countries, national plans of action, sometimes negotiated with representatives from business, unions and civil society, have been adopted with a view to complementing or supporting these company initiatives. (In-depth analysis of these measures lies beyond the scope of this paper; they have been analysed in numerous studies including recent ILO research conducted for the G20 Labour and Employment Ministers' Meeting in April 2010.)[10] Box 4 focuses on the German case, considered among the more

[9] Several ILO papers (Rychly, 2009; Glassner and Keune, 2010a; Zagelmeyer, 2009; Haipeter and Lehndorff, 2009) provide updates on these initiatives. See also Bergström et al., 2010.

[10] See Mandl and Salvatore, 2009; Ghellab, 2009; Rychly 2009; Neumann, 2009; Broughton, 2009; Thomas, 2009; Kresal, 2010; Hansen et al. 2009.

successful. As the US economist Paul Krugman underlines, the *Kurzarbeit* arrangements seem to largely explain why, while German growth has not been as weak as in the United States, "it has so far avoided US-style mass lay-offs, even when it was slumping badly". Together with Germany's labour laws and its strong unions, *Kurzarbeit* seems to have led to a situation in which workers are not treated as "variable costs".[11]

From the companies' point of view, the availability of public funds aimed at subsidizing employment protection may have constituted an incentive to engage in social dialogue because the public funds covered at least part of the costs of the agreements, while the agreements offset the projected costs of workers' mobilization against restructuring. It would be interesting to carry out a cost-benefit analysis of socially responsible practices in Germany and other countries where restructuring agreements have been reached, in light of Krugman's comments.

Box 4.
The German *Kurzarbeit*

The German Federal Government has implemented two major job protection measures following broad consultations with the social partners, notably the Confederation of German Employers' Association (BDA) and the Confederation of German Trade Unions (DGB). These measures consist of short-time working arrangements (*Kurzarbeit*). The maximum duration of partial unemployment was extended from 12 to 18 and then to 24 months while its cost was reduced for employers. Despite some reservations, especially from the DGB, employers and trade unions expressed their support for this measure in a joint statement, and collective negotiations improved the initial government proposal (Freyssinet, 2009). For example, under the "short-time work allowance plus" agreed on by the tripartite partners, companies are to be fully exempt from social insurance contributions provided they fulfil certain conditions. The implementation process has also been simplified.

According to a survey conducted by the Institute for Employment Research in September 2009, 17 per cent of German enterprises have exploited the potential offered by the *Kurzarbeit*. Of these, 41 per cent employed between 50 and 249 employees and 55 per cent employed 250 and more. The total number of workers who were on short-time work reached 1.4 million in June 2009, compared with 137,000 workers in November and 295,000 workers in December 2008 (ILO/G20, 2010, p. 8). In September 2009 the newly elected government coalition extended the *Kurzarbeit* until the end of 2010. It is widely accepted that despite the impact of the economic crisis on Germany due to its exposure to global markets, job losses have been minimal (Hurley et al., 2009), notably because of the strong tripartite consensus on the *Kurzarbeit*.

Source: Ghellab, 2009; ILO/G20, 2010.

II. Labour–management initiatives taking the form of transnational company agreements[12]

Numerous TCAs have emerged in the last few years in the form of international framework agreements (IFAs) and European framework agreements (EFAs). The purpose of TCAs is to stimulate global social dialogue between the multinational and workers' representatives, both where the firm is headquartered and in the countries where it operates. TCAs also aim at promoting compliance with ILO core labour standards, notably in the area of freedom of association and collective bargaining. In addition, TCAs deal with issues of common interest to management and the labour force of multinational companies, including company restructuring. By early 2010, approximately 160 TCAs had

[11] Krugman, 2010.

[12] This section relies heavily on primary data collected by the author for this paper (notably telephone interviews with practitioners and researchers, and data and information collected through Internet research and e-mail exchange; see References), and earlier relevant research (notably Papadakis, 2008; European Commission, 2009a; Telljohann et al. 2009; and Welz, 2009).

been reached, covering roughly 8 million workers globally. Of these, 40 TCAs addressed the issue of transnational restructuring in 23 multinationals, including agreements on related issues such as skills anticipation, intra-firm mobility and training. (The appendix provides a snapshot view of the contents of these TCAs.) By mid-2010, the number of TCAs tackling restructuring had increased to 52 in 33 multinationals.[13]

Box 5 depicts three types of TCAs on restructuring. Such TCAs usually establish social dialogue measures and mechanisms aimed at improving anticipation, training and mobility. They attempt to avoid compulsory redundancies, preferring to establish accompanying measures such as training or outplacement assistance, to design management plans of change that focus on professional development and social dialogue, and to establish transnational intra-firm mobility mechanisms to apply in the event of seasonal or more permanent unemployment.[14]

Box 5.
Transnational company agreements on restructuring and related issues: Types and motivations

Three types of TCAs on restructuring and related issues have been identified:

1) *TCAs between multinationals and European works councils (EWCs).* Since the adoption of the European Union Directive on EWCs (1994), 1,155 EWCs have been established. Many of them have dealt with the question of restructuring in two ways. EWCs usually create space for information and consultation on, among other things, "transfers of production, mergers, cutbacks or closures of undertakings, establishments or important parts thereof, and collective redundancies".

   Seventeen EWCs have gone beyond the letter of the Directive in order to negotiate specific agreements on restructuring issues with companies (see the appendix). Most of these agreements establish general rules to be applied in the event of restructuring in the European Union area (see the Dexia–Dexia EWC, Ford Europe–Ford EWC, and Unilever–Unilever EWC agreements depicted below, this section).

2) *Agreements between multinationals and European industry federations.[1]* These agreements address company restructuring, directly or indirectly, and have exclusively European coverage. Most of these agreements target specific restructuring processes and have been signed often with the European Metalworkers Federation (five agreements; see the appendix). This Federation has obtained a very precise and clear mandate from its affiliates to negotiate and strike agreements with a European-wide coverage (see the ArcelorMittal, Schneider, and Thales agreements given below, this section).

3) *International framework agreements (IFAs) that are signed between multinationals and global union federations, and that have a global coverage (all plants of the company around the world, and sometimes* suppliers*).*[2] IFAs sometimes contain a simple reference to the question of restructuring, but without providing much detail, let alone dealing with the question of employment security (see the Club Med and Rhodia agreements mentioned below, this section).

Signatories' motivations and observed outcomes

A recent European Union report has identified several key drivers for engaging in transnational negotiation: forward-looking human resources strategies; an active EWC; and clear trade union objectives and mandates (European Commission, 2009a). The same report show that the usual outcomes associated with these agreements are increased levels of trust between labour and management; easier acceptance of change and a better understanding of the challenges ahead; strengthening the corporate common identity across global operations; and, from a union perspective, a clear improvement or a protection of existing employment conditions when these are threatened (see also Section IV of this paper).

1. European industry federations are European federations of national unions representing workers by sector of activity.

2. Global union federations are international federations of national unions by sector of activity.

Source: Papadakis, 2008; Schmitt, 2008; European Commission, 2009a; Pichot, interview and e-mail exchange, 1 March 2010.

[13] Da Costa and Rehfeldt, forthcoming.

[14] European Commission, 2009a.

Table 1 provides an overview of the companies with TCAs that are reviewed and analysed in greater detail in the rest of this section. Most of the practices depicted below build on earlier labour–management initiatives and/or are highlighted for their value in anticipating possible restructuring, rather than managing actual restructuring, such as Thales.

Table 1.
A snapshot view of highlighted transnational company agreements on restructuring

Company	Industry	Key provisions
ArcelorMittal–EMF agreement (2009)	Metal, steel	Protect employment during the crisis; No permanent plant closures; No compulsory dismissals; Establish dialogue mechanisms for better anticipating future changes; Improve employability of workers through training.
Schneider–EMF agreement (2007)	Energy	Procedures on information in the event of restructuring; Rules on consultations; Principle of timely information, consultation and negotiation; Principle of combined process when it comes to European restructuring plans (local and global dialogue).
Ford Europe–Ford EWC agreements (2000, 2004, 2006 and 2008)	Automobile	Commitments regarding job protection and investment in the event of restructuring; Active labour–management dialogue.
Club Med–IUF–EFFAT agreements (2004/2009)	Tourism	Intra-company labour force mobility (between Turkey and the EU and between Africa and Europe including Switzerland).
Dexia–Dexia EWC agreement (2007)	Banking	Timely consultations at the Dexia EWC level; Transparency regarding potential buyers of Dexia's units (such as social and job strategies).
Thales–EMF agreement (2009)	Defence	Identify training needs; Anticipate technological change; Improve workers' employability.
Rhodia–ICEM agreements (2005, 2009)	Chemical	Fundamental social rights across the global value chain (ILO conventions and UN global compact); Systematic social dialogue; Joint occupational safety and health mechanisms (such as joint plant audits).
Unilever–Unilever EWC agreement (2008)	Consumer goods	Information provision about prospected restructuring; The Unilever EWC can visit the sites and units; The Unilever EWC can express the views of workers regarding the management decision before its implementation.

Source: Author, based on telephone interviews and information provided through e-mail exchange (see References).

The ArcelorMittal–EMF agreement (2009)

The giant in the metallurgical industry, ArcelorMittal, headquartered in Luxembourg, was hard hit by the crisis; in Europe the company had to shut down (temporarily) 50 per cent of its production plants and take various measures affecting employment including technical unemployment, part-time arrangements, etc. The enterprise has not, however, resorted to complete closings or compulsory dismissals, even though unions expected that it was an "ideal moment" for the management to complete an earlier restructuring process initiated before the crisis. Complete closings or compulsory dismissals were avoided largely because of (a) the need to maintain a labour force ready to participate in the delivery of orders expected after the crisis; and (b) a pioneer agreement on restructuring which was concluded between the company and the European Metalworkers Federation (EMF).

In late October 2009 a management communiqué announced measures affecting the labour force of ArcelorMittal resulting from the economic crisis. These included (a) a temporary pause to growth plans until market conditions improved; (b) a reduction of net debt; (c) an increase in temporary production cuts to 35 per cent in response to a period of de-stocking; (d) a reduction in selling, general and administrative expenses of US$ 1 billion; and (e) a voluntary separation programme across the group. In total the programme involved up to 9,000 employees across the world, or some 3 per cent of ArcelorMittal's total global workforce.

In early November 2009, the company signed a groundbreaking agreement on restructuring with the EMF. The agreement, negotiated and signed after just three months of wide consultations on both sides, covered only the European operations of the company. The general aim of the agreement was to protect employment, better anticipate future changes, and improve the competitiveness of the company and the employability of workers, so as to adapt to the new economic context created by the crisis.

In sum, the agreement highlighted the intention of the company to maintain the workforce, machinery, tools and plants. The company promised to make use of short-time working arrangements and provide training to those affected by the crisis and to avoid compulsory dismissals to the extent possible; if such dismissals were unavoidable, the company committed to entering a process of social planning for dismissed workers. The company also guaranteed that there would be no complete plant closures but only temporary shutdowns. Finally, a Social Dialogue Group composed of unions (led by the EMF) and management representatives was established with the aim of monitoring implementation of the agreement and anticipating restructuring and industrial changes in the near future.[15] It is intended that the Group meets three or four times per year (the first meeting took place in late January 2010). Furthermore, national follow-up committees were set up in all the European plants of the company (to promote and oversee national implementation).

According to management representatives of ArcelorMittal and the Deputy Secretary General of the EMF, by mid-February 2010 the most important guarantees of employment had been respected by the company: there had been no permanent plant closures and no compulsory dismissals. The company is progressively reopening its plants in Europe and abroad. By mid-February 2010 the company had informed the EMF that it had already recovered 75 per cent and 80 per cent of its production capacity in the EU and worldwide, respectively. The EMF and the company will soon be discussing – in the Social Dialogue Group – the details of the reopening of the sites that were temporarily shut down, particularly regarding the terms and conditions of employment of workers.[16]

The Schneider–EMF agreement (2007)

Schneider Electric is a French company with global operations in the energy management field. The Schneider–EMF agreement signed in 2007 aims at establishing general principles and procedures in anticipation of any change that may emerge in the future, if restructuring cannot be prevented. The agreement spells out very detailed procedures regarding information to be given to the Schneider EWC in such event; how to conduct consultations; the principle of timely information, consultation and negotiation; and the

[15] The Social Dialogue Group is composed of 12 representatives of unions and 12 representatives of ArcelorMittal (including the signing parties).

[16] Tollet, telephone interview, 10 February. 2010; Samyn, telephone interview, 15 February 2010.

principle of combined process when it comes to transnational European restructuring plans (that is, information and consultations should take place at the same time, at both plant and European levels).

The company has recently gone through several market and labour force fluctuations. The establishment of working methods and procedures through an agreement was seen by workers at both plant and European levels as a step in the right direction. Furthermore, the agreement goes beyond the EWC Directive as it gives the role of coordinator to the EMF. This role has been performed rather effectively by the EMF, although debates between national unions and the EMF have sometimes been difficult. Indeed in some cases EMF affiliates have considered the European agreement as less progressive than national laws on restructuring (France and Italy, for example, where management is encouraged to explore alternative solutions such as in-sourcing, part-time work and social plans). Still, in countries where no such legal provisions exist (the Czech Republic or Hungary, for example) the Schneider–EMF agreement is viewed as a very progressive instrument that goes further than the law requires.

Perceptions of the impact of the agreement have varied in the context of the current crisis, from one country to another, depending on the management culture of local subsidiaries of the company.

The most noticeable impact of the agreement has been observed in Spain and Greece. In 2008, when the Spanish subsidiary of the company announced several dismissals without respecting the principles of timely information and parallel negotiations at plant and European levels, the local affiliates of the EMF channelled their complaints through the EMF to the company headquarters. EMF and Schneider representatives from headquarters launched a joint dialogue between local unions, EU Schneider management and local management, which resulted in the acceptance of the restructuring with a social plan. In December 2009 during an evaluation meeting of the agreement, the Greek affiliate to the EMF emphasized that the European agreement helped it to establish regular contacts with management which, until then, had turned down any possibility of labour–management contact. Similar difficulties, and positive impacts following the intervention of the EMF and Schneider headquarters, have been observed in the case of restructuring plans in Italy and Sweden.

Finally, according to the EMF, Schneider is currently exploring the adoption of a new restructuring plan. The plan is being widely discussed with all the trade unions and the EMF, at the initiative of the company. The EMF views this as an important development and proof that the company has mainstreamed the agreement in its operations related to human resources and crisis management.[17]

The Ford Europe–Ford EWC agreements (2000, 2004, 2006 and 2008)

A series of agreements on restructuring have been concluded since 2000 between the US automobile firm Ford Europe and its EWC, following successive changes in the company, including in the context of the recent crisis (two agreements in 2000, and one each in 2004, 2006 and 2008). In addition to procedures for dialogue, the agreements address the questions of transferability of terms and conditions of employment as well as sourcing of competences and investment commitments in the context of spin-offs and joint ventures. Rules on sourcing of competences were established in an earlier agreement, as was a more general agreement on social rights and social responsibility principles. The latest agreement signed in 2008 addresses directly the question of restructuring as a consequence of the crisis. This agreement provides for support for employees, as well as employment and investment commitments in the case of a concrete restructuring process.

[17] Samyn, telephone interview, 5 March 2010.

Taken as a whole, "the Ford agreements represent a high degree of development of common rules, contrary to the few agreements previously signed by EWCs in other sectors. They do not deal with political principles or broad and general procedures, but rather with concrete and substantive questions such as job security and working conditions. […] They leave little latitude on implementation at the local level. The EWC has the role of coordination, as well as of follow-up and, in certain cases, even of recourse in the event of a local dispute. The agreements were signed without industrial conflict and their subsequent number – five in eight years – testifies to the interest of the two parties for this type of procedure".[18]

At least up to May 2009, the agreement managed to maintain active labour–management dialogue at the European level (as well as the national level). Management sources indicate that the voluntary approach in these agreements has facilitated the adaptation of the company to current business needs in the context of depressed global demand facing the automobile sector. A representative of Ford's EWC indicates that the agreement has also "helped employees to overcome national egoism and develop a pan-European strategy and act in a cooperative, strategic and innovative manner".

Overall the Ford agreements have been positive not only for management but also for employees to the extent that they have allowed employees to obtain first-hand information through access to senior management meetings, and through involvement in strategic projects and decision-making processes. In addition, the European agreements managed to achieve better protection for employees in relation to negotiations at local or national level, despite the fact that the crisis reinforced competition among production sites and countries.[19]

The Club Med, IUF, EFFAT agreements (2004 and 2009)

The well-known French tour operator Club Méditerranée may figure prominently among examples of socially responsible practices in terms of TCAs in times of crisis, not because of an open pledge to protect employment in crisis, but because it establishes measures and structures aimed at the transnational mobility of workers. During economic downturns, such mobility agreements have proved to be beneficial, especially to workers outside the EU who are interested in migrating to industrialized countries. The original Club Med IFA on "fundamental rights" signed in 2004 between the tour operator on the one hand, and the IUF and EFFAT on the other, aimed to promote (a) the ILO core Conventions, notably in the area of freedom of association and collective bargaining;[20] and (b) intra-firm mobility of its labour force between Turkey and the EU.

In July 2009 a new agreement was signed that extended the scope of geographical application to all workers from Africa (notably Morocco, Senegal and Tunisia). The rationale behind this agreement is that giving qualified workers of summer holiday locations the possibility to work in the winter resorts of Club Med represents a win-win situation for both the company (faced with the need to employ qualified workers for its "alpine villages", which traditionally lack skilled personnel) and the employees (faced with

[18] Da Costa and Rehfeldt, forthcoming.

[19] Evison, 2009; Leutert, 2009; Samyn, telephone interview, 5 March 2010; Da Costa and Rehfeldt, forthcoming; European Commission, 2009b.

[20] Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member States: No 29 Forced Labour (1930); No 87 Freedom of Association and Protection of the Right to Organize 1948; No. 98 Right to Organize and Collective Bargaining (1949); No. 100 Equal remuneration (1951); No. 105 Abolition of Forced Labour 1957; No. 111 Discrimination (Employment and Occupation) (1958); No. 138 Minimum Age Convention (1973); and No. 182 Elimination of the Worst Forms of Child Labour (1999).

the problem of seasonal closure of resorts in winter). The crisis, which led to a shorter tourist season (especially in summer resorts), showed that this agreement was timely.

While the agreement does not openly spell out the right of workers to employment protection, during the crisis the mobility policy mitigated the impact of the extended seasonal closures and consequent unemployment. The scarcity of skilled personnel in the alpine Club Med resorts (which did not suffer serious losses during the crisis) has triggered discussions aimed at extending the July 2009 mobility agreement to non-EU Member States, starting with Switzerland. Furthermore, the agreement has served as a tool for cross-border coordinated collective bargaining (for instance, in the case of the Club Med Kos resort in Greece, which faced extended seasonal unemployment due to the crisis).[21]

The Dexia–Dexia EWC agreement (2007)

Dexia, headquartered in Belgium, is active in the banking sector and operates in several European countries. In 2007, when its management board announced a restructuring plan involving the divestment of one of its units in Belgium (affecting some 150 workers), the Dexia EWC called on the management to improve its interaction with the EWC when it came to dealing with restructuring, so as to ensure that information and consultation procedures at the Dexia EWC took place in a timely manner. The management and the chief executive officer agreed to establish various rules guaranteeing timely consultations at the EWC level. According to a signed agreement (annexed to the earlier agreement creating Dexia's EWC), the company committed to inform and consult with workers at the EWC level at the latest when a "memorandum of restructuring" (separation, merger or any other managerial decision affecting the labour force) was "on the table of the Board". Another important provision in the agreement spelled out the obligation of Dexia to make sure that potential buyers of Dexia's units would present a report depicting in detail the intention of the new company in terms of social and job considerations (job creation or lay-off plans), and that this report would be taken seriously into account before any plans for separation or merger were finalized.

Since the beginning of the crisis, the bank benefited from large public subsidies aimed at ensuring its survival; it proceeded to a recapitalization of €6.4 billion. Following the decision of the European Commission (DG Competition) in March 2009 asking Dexia to reduce its size by 35 per cent in order to respect competition rules at the EU level and to prove its long-term viability in the absence of public subsidies, the company launched a restructuring programme to end a range of international activities, reduce its activities particularly in France, and achieve cost-savings of approximately €600 million by 2012. Dexia decided to proceed with the divestment of branches in Slovakia (Dexia Banko Slovensko), Spain (Dexia Sabadel), and Italy (Crediop). The restructuring programme announced by Dexia was to affect 1,490 workers.

Because of the Dexia–Dexia EWC agreement, timely and numerous consultations were carried out with the EWC in the presence of the chief executive officer. They led to (a) the avoidance of compulsory redundancies; (b) the adoption of training measures to improve the employability of workers threatened by the plan (profiting from financial support provided by Belgian and French laws, where available, or alternatively from company training funds); and (c) intra-firm and even transnational workers' mobility. The social plan agreed at the EWC level has so far led to only a few retrenchments.

Due to the attractive conditions agreed on concerning early retirement in some countries (for example, France), the plan was so successful that Dexia is now again in the process of recruiting. Furthermore, while potential buyers are not bound by the Dexia–

[21] Juyaux, telephone interview, 15 March 2010.

EWC agreement on restructuring, Dexia took into account their social profile in selling its Italian, Slovakian and Spanish entities, and shared these profiles with its EWC.[22]

The Thales–EMF agreement (2009)

The Thales Group, headquartered in France, is active in the defence and aerospace industries where technological innovations have an immediate impact on the employability and prospects for career development of its labour force. It has some 70,000 highly skilled workers, 50 per cent of whom are engineers. In June 2009 it and the EMF signed an agreement seeking to improve the professional development of the group's European employees.

While the agreement does not spell out restructuring measures, it functions as a tool for strengthening the future employability of workers within the Thales Group, notably by establishing an annual "anticipation process" linked to future employment prospects. This process includes individual annual interviews with all 70,000 employees to better understand the training needs of staff. A Thales "university" has also been established to provide training for workers to enable them to remain up to date with technological innovation. In addition, the agreement includes measures on orientation, on-the-job learning, networking, intra-firm mobility, coaching and mentoring. It also includes a collection and analysis of experiences in various countries, which should guide management in implementing the agreement. Finally, it assigns monitoring responsibilities to the Thales Group EWC and contains a provision on effective coordination mechanisms between the Group and national entities.

Both signatory parties view the Thales–EMF agreement as a successful "anticipation" agreement to the extent that both workers and management take part in addressing the future needs of the company and possible labour force adjustments, following the evolution of technologies or market trends. At the moment Thales does not face significant difficulties resulting from the crisis and has not resorted to any retrenchment plan (unlike other companies in the metal industry). However, the agreement is already functioning as a cushion against any unforeseen crisis-related retrenchment, thus mitigating stress at work associated with sudden restructuring.[23]

The Rhodia–ICEM agreements (2005, 2009)

Rhodia is a global manufacturer of speciality chemicals headquartered in Switzerland. Well before the crisis, in 2005, the company signed an agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) at the initiative of the company (notably its Vice-President, Sustainable Development Department, Jacques Khellif, who was a former unionist) after two years of negotiations. The two main *raisons d'être* of the agreement according to the management were to "establish rules for social dialogue and CSR [corporate social responsibility] which would apply equally across borders" – such global rules were seen as an "asset to move the company out of the crisis"; and to "identify and recognise a global counterpart which would have a global status and would enjoy legitimacy" among its global labour force. The IFA was identified as the most credible mechanism for achieving these targets.

The agreement has two aspects: observance of fundamental social rights in line with the ILO's core Conventions and the UN global compact, and provisions relating to social dialogue and occupational safety and health. To ensure worldwide implementation, the company established indicators and committed to producing an annual report to be

[22] Holsbeek, telephone interview, 5 March 2010.

[23] Telljohann, 2009; Samyn, telephone interview, 5 March 2010.

discussed in the Rhodia EWC. Procedures were established and training was given to workers' representatives on this issue. Most important, annual tripartite visits among senior management, ICEM, and local management representatives were organized, notably in Brazil, China and the United States with a view to assessing progress in implementation. In 2008 a new agreement was renegotiated and signed that included a clause aimed at facilitating unionization, again with direct reference to ILO instruments. Also in 2008, a Global Occupational Health and Safety Committee was established, with the participation of two ICEM members and four employees, one from each region where Rhodia operates (Europe, North America, Asia–Pacific and Latin America).

In 2009, due to a dramatic drop in global demand and a decline in production of approximately 30 per cent, Rhodia engaged in a process of restructuring its global supply chain. While the original agreement with ICEM did not focus specifically on managing restructuring or job protection, ICEM used this agreement as a basis for raising the question of the protection of workers' compensation in the Rhodia production plant in China. When a Chinese plant was threatened with permanent closure, ICEM claimed financial support for the redundant workers, as local Chinese law did not protect them sufficiently. At the suggestion of the French headquarters, local management agreed to use measures of temporary lay-offs and temporary closures instead of compulsory redundancies and final closures, and to support workers with some sort of severance pay for those who were eventually laid off, so as to be "more in line with European standards".

The interaction between ICEM and Rhodia has been evaluated by both sides as "very constructive" even during the crisis and despite the fact that the original IFA did not explicitly address restructuring questions. According to ICEM, examples of good collaboration between ICEM and Rhodia have multiplied recently in the broader Asian region, notably in the area of occupational health and safety, despite the crisis. For instance, in Onsan in the Republic of Korea, following the death of a construction worker during the expansion of the local Rhodia facility, Rhodia accepted to provide compensation to the family of the diseased following ICEM's demand (even though the construction company that had been hired by Rhodia was not an affiliate of ICEM).24

The Unilever–Unilever EWC agreement (2008)

Unilever is a global consumer goods company based in the United Kingdom and Netherlands. According to information provided by management it was not dramatically affected by the crisis, despite an observed consumer shift to cheaper brands. The company has not therefore engaged in a major restructuring programme. However, since 2005 the company had identified a need to reorganize its operations in order to maximize in-company synergies and use any savings for boosting innovation and advertising. The restructuring programme adopted at that time involved job cuts of approximately 20,000 globally (10,000 in Europe) by 2010. Prior to this, the company had signed a document with its EWC on "responsible restructuring". Broadly, the agreement spells out the main options available in terms of responsible company restructuring, taking into account the particular characteristics of each operation.

After a conflictual period with the Unilever EWC resulting from the restructuring programme, a consultation protocol was agreed in 2008, which provides for the EWC to be informed about planned restructuring. The EWC can visit the relevant sites and units, and express workers' views on management decisions before they are implemented.

The crisis did not add a new element to the agreement or to the restructuring programme, even though management has identified the need to accelerate implementation. Overall, according to management, the approach taken with the EWC has

[24] Khellif, telephone interview, 1 March 2010; Ozkan, telephone interview, 3 March 2010.

allowed for full-fledged dialogue between workers and management on the reasons for restructuring. It has also created a new layer of dialogue at the European level, usually taking place at the local level, thus helping workers to have a better understanding of the company's global strategy. As a consequence, the level of dialogue on the restructuring programme itself has improved.[25]

Summary analysis

The above TCAs on restructuring have emerged during a period when corporate restructuring has become pervasive and its pace has quickened, stimulated by the global crisis. The agreements are not always a direct consequence of the crisis but also reflect new technologies, competitive cost pressures and the deepening of European and global market integration. Nevertheless, because of the nature of the crisis, addressing restructuring challenges through cross-border initiatives – as opposed to piecemeal local interventions – may increasingly appear to both management and unions as the most appropriate and legitimate strategy in the years to come. In addition to protecting employment through joint monitoring measures, successful TCAs may lead to cross-border coordination of collective bargaining which, in turn, may contribute to avoiding a downward spiral of wages and conditions of employment.[26]

III. Labour–management agreements at plant level

Numerous examples of plant-level agreements aimed at mitigating the impact of the crisis on employment can be identified in 2008–2009.[27] These practices are sometimes linked to the above TCAs or to public initiatives aimed at supporting industries in crisis – or, in some cases, to both. Companies have negotiated agreements with public authorities and/or unions to avoid the closure of plants or large-scale redundancies. In the car manufacturing and mining/steel sectors, which were particularly hard hit by the recession, companies made extensive use of two instruments to adapt employment to the changing economic situation, namely, voluntary departures and partial unemployment. These measures were often complemented by income support from governments, and by various types of training to improve workers' employability.

Table 2 depicts some company case studies that demonstrate socially responsible practices at plant level. These examples are described in greater detail in the remainder of this section. The majority of cases draw on the experience of plants of French and German multinationals operating in the European automotive sector.

[25] Dalton, telephone interview, 2 March 2010.

[26] Glassner and Keune, 2010b, p. 7.

[27] This section draws on 2009 research conducted at the European Trade Union Institute (ETUI), the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND), the EU-funded research project on "Anticipating and Managing Restructuring in Enterprises National Seminars (A.R.E.NA.S)" of the International Training Centre-ILO, and ongoing research at the ILO's Industrial and Employment Relations Department.

Table 2.
A snapshot view of selected plant-level agreements on restructuring

Company (year)	Industry	Country/rationale
AXA Insurance (2008)	Insurance	**Ireland:** Timely information and consultation; Severance and early retirement payments and outplacement going beyond legal requirements and practices in the sector; Pre-retirement assistance for older workers.
Mercedes-Benz, Ford and Volkswagen (2008)	Automotive	**Brazil:** Intra-firm mobility (transfer of workers from hard-hit divisions to less affected ones); Time banking; Bonus waiver to increase company cash flow; Collective vacation.
Adria Mobil (2009)	Automotive	**Slovenia:** Temporary' transfer of workers to other plants on a voluntary basis; Three-week working month with full salary guarantee; Future use of working hours lost but paid by the company; 30 days unpaid leave.
ArcelorMittal (2009)	Metal, steel	**Luxembourg:** Job retention plan, and accompanying measures for voluntary departures; Reemployment guarantee within 2 years. **Romania:** No plant closure despite halt in production; maintenance of the majority of workforce and salaries; temporary lay-off or leave initiatives.
Daimler (2009)	Automotive	**Germany:** Limited job guarantee in return for concessions concerning working time and pay; Labour cost reduction of €2 billion; Permanent employment contract for majority of employees following their apprenticeship; Right to cancel the agreement on the company side; Shop agreement that secures jobs for 10 years in the major plant (Sindelfingen*);* Creation of 2,700 new jobs to compensate for moving production of a vehicle from Germany to the United States.
PSA Peugeot Citroen (2009)	Automotive	**France:** Salary guarantee for employees in partial unemployment in exchange for concessions on number of leave days; Vocational training for improving employability.
Renault (2009)	Automotive	**France:** Salary guarantee for employees in partial unemployment; Solidarity fund to support the income of workers in partial unemployment; Tripartite contributions to the fund (one third from a share of all salaries, one third from public funds, and one third from the company).
Schaeffler Group (2009)	Automotive	**Germany:** Relative guaranteed job security until 2014; Introduction of co-determination rights; Reduction in labour costs achieved through working time reduction with an adjustment of wages and salaries; a further use of short-time work; voluntary agreements to terminate the labour contract; and part-time contracts for senior workers.

Source: Author, based on various reports prepared by ETUI, EUROFOUND, ITC-ILO/A.R.E.NA.S, and ILO.

AXA Insurance (Ireland)

The United Kingdom insurance and pension fund company AXA Insurance announced a restructuring plan in July 2008 that would result in 120 voluntary redundancies at its Dublin office, reducing its workforce from 920 to 800. AXA management first raised the issue with employee representatives in October 2007, but the main consultation process occurred over three to four months up to July 2008. This consultation involved representatives of two trade unions – the Services, Industrial, Professional and Technical Union (SIPTU) and Unite. AXA and SIPTU agreed on a major pay and restructuring deal in July 2008 and while Unite initially expressed some opposition, it eventually agreed. The company and trade unions then appointed an independent facilitator who played an important part in drafting a jointly acceptable settlement on the restructuring process. As a result, the trade unions were able to secure certain improvements.

Most of the 120 employees who left AXA as part of the voluntary redundancy or early retirement programme (in their late 50s) were given pre-retirement courses, financial advice and professional assistance on pensions. They also received some outplacement assistance. Voluntary redundancy consisted of six weeks' basic pay for each year of service, including statutory redundancy entitlement of two weeks' pay for each year of service paid by the state. Weekly pay calculations included basic pay as well as an appropriate average of performance bonuses awarded for the previous three years.

In addition to the agreed redundancy payment, the statutory minimum notice was paid in the most tax-efficient manner possible. The upper limit on minimum notice and redundancy payment was €265,000. Voluntary redundancy was open to qualifying staff up to the age of 56 years at the time of leaving the company; all staff selected and approved for voluntary redundancy retained full pension rights. Staff taking early retirement with fewer than five years before normal retirement age received an additional six weeks' basic pay for each year of the added five years' service that were not completed. A lump-sum statutory redundancy payment was also applied.

This study provides an interesting example of a socially responsible approach to restructuring through management involvement and negotiations with employee representatives in dealing with redundancies. While redundancies have not been avoided, unions and experts on restructuring agree that the consultation was timely (before any restructuring took place), and that workers received a comprehensive package that helped to mitigate the effects of redundancy.[28]

Mercedes-Benz, Ford and Volkswagen (Brazil)

The Brazilian automotive assembly and component industry created jobs until September 2008. The crisis, from late 2008, was felt in a phasing out of export credits and a drop in domestic sales due to low consumer confidence affecting local sales of, especially, buses and trucks. Against this background, several collective bargaining agreements signed by companies with works councils and/or union committees at Brazilian plants of Mercedes-Benz, Ford and Volkswagen succeeded in reducing the number of retrenchments.

At Mercedes-Benz, an agreement between the management and its works council created a bank of hours, established a practice of collective vacation with paid leave (mainly for fixed-term workers) and offered incentives for voluntary retirement. As a consequence, 1,300 workers took early retirement and no dismissals of fixed-term staff took place. At the same time, the agreement created intra-firm mobility, translated into the transfer of workers from the hard-hit buses/trucks division to the cars division, which was less affected by the crisis.

A similar agreement reached at Ford also established a bank of hours. While the agreement could not prevent 163 dismissals, it led to 144 early retirements and the saving of 200 fixed-term jobs that were initially threatened. Workers also agreed to forgo a Christmas bonus.

Finally, in the case of Volkswagen, following an agreement at the works council level, staff agreed to take a collective vacation in December 2008. The factory returned to almost normal production by January 2009 with no dismissals of fixed-term workers

[28] Broughton, 2009, pp. 41-44.

(mainly because the plant is oriented towards the domestic market, which recovered relatively quickly).[29]

Adria Mobil (Slovenia)

This Novo Mesto, Slovenia, company produces caravans and motorhomes under the "Adria" and "Adriatik" brands and sells 99 per cent of its output to western European markets. The company has a 6.5 per cent market share on the European market and ranks sixth among European producers in its field. In recent years, the Adria Group has expanded geographically and today operates in numerous markets in three continents (Europe, Asia and Australia), employing more than 1,200 people.

In 2009, after an agreement with its employees, the company introduced a series of measures to deal with the crisis. Adria Mobil made an agreement with a Renault subsidiary, Revoz, in which part of the Adria Mobil workforce was temporarily shifted to Revoz (in accordance with individual workers' wishes). This stemmed from Revoz's temporary need for 150 additional workers. The company also introduced a three-week working month, and employees were compensated with extra work the following year. It also gave 30 days unpaid leave.[30]

ArcelorMittal (Luxembourg and Romania)

As mentioned, the 2009 agreement between ArcelorMittal and the EMF managed to avoid compulsory lay-offs and total plant closures. Two good illustrations of how the agreement has been implemented at national and plant levels are the Luxembourg and Romanian operations of the company. In Luxembourg, in a job retention plan devised in December 2009, various measures have been adopted consisting of a re-employment guarantee within two years for former employees who are made redundant for economic reasons by their new employer, and the provision of financial support to workers who are re-employed in less well-paid jobs (the *Aide au reemploi*). The compensation payments range from six months' salary for those employees with less than five years' seniority to 18 months' salary for those with over 25 years' seniority.[31] In Romania, the ArcelorMittal plant halted production for three weeks in summer 2009 due to unsold stock. Despite the shutdown, 700 employees carried out maintenance work; other workers were placed on temporary lay-off or on leave.[32]

Daimler (Germany)

In an agreement signed in April 2009 between Daimler and the enterprise union, the company provided a limited job guarantee in return for concessions on working time and pay. The measures in the agreement are intended to reduce labour costs by €2 billion. The agreement covers 161,000 employees working at 15 German sites and follows a previous cost-cutting package concluded in 2004. Of the apprentices who started their training in 2006 and 2007, 80 per cent will receive a permanent employment contract from the company following their apprenticeship. The remaining 20 per cent will be employed on a fixed-term contract for 12 months. If the company's economic situation does not improve

[29] Zylberstajn, 2009.

[30] Hurley et al., 2009, p. 73; see also Kresal, 2010, p. 45.

[31] Thomas, 2009, p. 34.

[32] Hurley et al., 2009, p. 72.

or deteriorates further, the company has the right to cancel the agreement with effect from 31 December 2010.[33]

In December 2009 the management of Daimler's biggest car factory in Germany, the Sindelfingen plant, signed a shop agreement that secures jobs for 10 years, a guarantee that brought an end to protests that were organized by the IG Metall union and the local works council over moving production to the United States. The 37,000 employees of the Sindelfingen plant would not face any forced redundancies until the end of 2019.[34] Daimler is to create 2,700 new jobs to compensate for moving production of the best-selling Mercedes C Class saloon from Sindelfingen to Tuscaloosa in the United States. The new jobs will stem from shifting production of the SL roadster model from Bremen to Sindelfingen and a pledge to continue producing the new generations of E Class and S Class saloons at the plant. The union has been prepared to moderate its wage demands across the German industry in an effort to save jobs. As in the April 2009 agreement, there is an escape clause for Daimler if the economy deteriorates rapidly.[35]

PSA Peugeot Citroen (France)

In April 2009 PSA Peugeot Citroen signed an agreement with five union organizations – the CFE-CGC, CFDT, CFTC, Force ouvrière and Groupement des Syndicats Européens de l'Automobile. The agreement guarantees 100 per cent of the net salary of employees in partial unemployment for a period ranging from three to six months. During this period, the workers concerned receive vocational training to improve their "internal employability" by increasing their professional skills as well as their "external employability" with a certification. Their remuneration is financed by the unemployment insurance initiative, state funds and the company.

The agreement was followed by a second one signed in July by PSA Peugeot Citroen, the five above union organizations and the CGT. The new agreement guarantees 90 per cent of the net remuneration of employees in partial unemployment, without any time limit. Workers are entitled to 100 per cent of their remuneration if they give up part of their annual leave. The company also guarantees to maintain an employee in employment for double the period normally covered by a previous collective agreement on partial unemployment.[36]

Renault (France)

In July 2008 Renault announced its intention to cut at least 5,000 jobs in Europe due to the deteriorating economic climate. In September 2008 management presented a voluntary departure plan involving 4,000 jobs in France. The Sandouville factory in Normandy in northern France was particularly affected: 1,000 production posts were to be cut out of a total 3,800 jobs. The same month, management announced to its EWC that an additional 2,000 jobs had to be cut in subsidiaries, 900 in France and 1,100 in the rest of Europe. These job cuts came as a surprise, particularly as in February 2006 Renault had launched an ambitious plan, the "Renault Contract 2009", which had three main objectives: increase production, boost profitability and launch a new luxury car (Laguna 3) at Sandouville. French trade unions reacted strongly to the proposed restructuring, believing that Renault was using the crisis as a pretext and that the voluntary departure plan was in reality a hidden redundancy plan.

[33] Hurley et al., 2009, p. 76; see also Zagelmeyer, 2009 and http://www.daimler.com/dccom/0-5-7171-1-1203507-1-0-0-0-0-0-9296-7164-0-0-0-0-0-0-0.html, cited in ILO, 2009b.

[34] Cited in ETUI, 2009a.

[35] ETUI, 2009a; Glassner, e-mail exchange, 2010.

[36] Rehfeldt, telephone interview; see also Glassner and Keune, 2010b.

In March 2009 the "social contract for crisis" was signed between Renault's management and four union organizations – Confédération française démocratique du travail (CFDT), Confédération française des travailleurs chrétiens (CFTC), Confédération française de l'encadrement–Confédération générale des cadres (CFE-CGC), and Force ouvrière. The agreement aimed at maintaining workers' net pay during partial unemployment. This was to be financed by a "solidarity" effort of professional and managerial staff. Up to November 2009, production workers on partial unemployment received 80 per cent of their net salary (10 per cent over the legal minimum), financed by a "crisis management fund" based on a deduction of 0.15 per cent from all salaries.

Professional and managerial staff, who accounted for 28 per cent of Renault's employees in France, also went on partial unemployment (Renault headquarters and eight engineering centres closed every Friday). According to the collective agreement in the metal sector, these categories would receive their entire salary during partial unemployment. They continued to do so, but were also asked to contribute to the crisis management fund by offering one day of their working-time reduction account for each five days of partial unemployment (up to a maximum of eight days). This contributed to maintaining 100 per cent of remuneration for all workers, if they agreed individually to give up part of their working-time account.

The initiative is being financed by a public support fund, for which a special agreement was signed between Renault and the Ministry of Labour in May 2009. Thus the partial unemployment of the production workers is financed one third by the company, one third by the State and one third by the solidarity fund. The agreement has allowed important cost savings for the company, due to a reduction in fixed costs (electricity, heating, etc.), and social contributions. A major union, the Confédération générale du travail (CGT), did not sign the agreement, arguing that the company could afford to make a larger contribution to financing partial unemployment.[37]

Schaeffler Group (Germany)

This German car component manufacturer signed an agreement in 2008 with the trade unions IG Metall and IG BCE, the German Mining, Chemicals and Energy Union, and the group works council. It provided a relative guarantee of job security until 2014. The group also agreed to maintain existing employment and worker representation structures and to respect all provisions laid down in collective agreements. In February 2008 the company and IG Metall signed an "Agreement for the Future". With the agreement, IG Metall supported the request for public aid to the government made by the Schaeffler group. In exchange, the group finally agreed on the introduction of co-determination rights. Thus, half the seats of the supervisory board will be given to staff representatives. On 26 May 2009 the Schaeffler group, IG Metall and the group works council signed an arrangement on reducing labour costs in exchange for temporary job security.

This arrangement represents the first practical outcome of the Agreement for the Future. It rules out company redundancies until 30 June 2010, provided that the reduction in labour costs is achieved by means of a jointly agreed list of measures (working time reduction with an adjustment of wages and salaries, further use of short-time work, voluntary agreements to terminate the labour contract, part-time contracts for senior workers, reduction of one-off payments as well as the establishment of transfer companies). The agreement was made against the background of the severe demand shock that hit the car industry as well as the recent merger with the multinational car component supplier, Continental, which together endangered several thousand jobs at Schaeffler.[38]

[37] Rehfeldt, telephone interview, 3 March 2010.

[38] Glassner and Keune, 2010a.

Summary analysis

Most of the above examples took place in France and Germany, especially in the automotive industry, as these countries and sectors enjoy well-established collective bargaining systems as well as a strong culture of labour–management consultation and co-determination. Indeed, the presence of such systems of industrial relations may be an essential precondition for successful initiatives enabling enterprises to adjust to crisis situations. We return to this point below.

IV. Key drivers for concluding socially responsible restructuring agreements and ensuring effective implementation

After the start of the global downturn in 2008 manufacturing and construction were faced with a significant decrease in external demand. However, major companies in these sectors refrained from adopting restructuring plans that would have significantly affected employment, using a wide array of strategies including labour–management agreements covering a single or multiple operations of the company.

Explaining the choice of strategies for each company lies beyond the scope of this paper. It will suffice to say that interviews with management and union representatives indicate that such strategies are often the outcome of factors such as (a) the severity of the impact of the crisis on the company; (b) corporate cultures and human resource strategies; and (c) a range of institutional factors, such as pre-existing labour–management dialogue processes and agreements; the legal framework where the company operates (employment-protection legislation);[39] the social security system; and the availability of related job-saving tools such as short-time working arrangements subsidized by the state, for example, the German *Kurzarbeit* (Box 4 above).

Drivers for successful negotiation and implementation of transnational company agreements on restructuring

The role of some TCAs in addressing restructuring issues (including intra-firm mobility and anticipation of change) proved to be a key novelty during the global crisis. According to interviews with actors who have negotiated such agreements, it would appear that TCAs constitute a means of addressing two concerns. First, that it would lead to more “location shopping” as multinationals search for lower-cost locations, putting downward pressure on wages and labour standards in a classic “race to the bottom”. Second, that it would generate social unrest due to massive lay-offs.

From a union perspective, by providing a framework for dialogue during restructuring in the context of deepening economic integration, TCAs may not only safeguard employment through joint monitoring measures, but may also contribute to cross-border coordination of collective bargaining strategies and union action which, in turn, may further contribute to avoiding a downward spiral of wages and conditions of employment.[40]

[39] An ILO paper on comparative features of legal frameworks regulating redundancies is in preparation. It draws on a new ILO database (EPlex), which contains information on the employment termination laws of some 60 countries. EPlex covers all the key topics that are regularly examined in national and comparative studies on employment termination legislation. The information covers more than 50 variables and will be updated annually. See http://www.ilo.org/dyn/terminate/termmain.home.

[40] Glassner and Keune, 2010b, p. 7.

From a management perspective, positive outcomes of TCAs include increased levels of trust between labour and management; easier acceptance of change and a better understanding of the challenges ahead; and the strengthening of a common corporate identity across the global operations. Furthermore, management expects that by protecting its labour force during the crisis, the company will be in a better position to respond to market opportunities after the crisis, thus ensuring the long-term viability of the enterprise.

The above points seem to be confirmed by research and policy debates on TCAs conducted in the European Commission, the European Trade Union Institute and the European Foundation for the Improvement of Living and Working Conditions (Eurofound), which have highlighted trends associated with successful negotiation and implementation of TCAs.[41] Factors that seem to have facilitated the signing of innovative cross-border restructuring agreements include:

- forward-looking human resources strategies that see TCAs as a tool for managing risk during the process of business expansion and internationalization of a company’s activities, and that give a central role to transnational processes for labour–management relations (such as EWCs);
- trade union coordination resulting in specific mandates given to global and European industry unions (or alternatively, EWCs) to negotiate and sign an agreement at the cross-border level directly on behalf of workers of the enterprise and their affiliated unions in countries where the multinational operates; and
- joint commitment to ensure stability and minimize the risk of conflict during crisis (including dialogue before strikes erupt), especially in major operating sites located in countries with a tradition of workers’ mobilization (particularly Belgium, France, Germany and Luxembourg).

The 2009 European agreement signed between ArcelorMittal and the EMF is a clear illustration of sound corporate responsibility practice in this area. In addition to the ad hoc social dialogue process established with a view to addressing questions of job security during the global slowdown and positive record in this area, the agreement has generated interesting outcomes in terms of enterprise sustainability and readiness to respond to the global recovery. Furthermore, in the aftermath of the crisis, corporate identity seems to have been strengthened, while the Social Dialogue Group is likely to function also as a tool for anticipating and managing future changes or crises.

Drivers for successful negotiation and implementation at plant level

As far as plant-level initiatives are concerned, the cases highlighted in this paper represent good illustrations of fair “job-security” agreements, showing that the recognition of mutual interests whereby wage concession is made in return for employment security and the extension of employee participation may lead to a win-win situation. The case of Daimler in Germany, for instance, has led to important job guarantees in return for a number of unions’ concessions concerning working time and pay. The latter are intended to reduce labour costs by €2 billion. Unions seem to be prepared to further moderate wage demands across German industry, in return for saving jobs. Obviously, the preparedness of unions to make wage concessions has been boosted by the availability of job protection initiatives in Germany, such as *Kurzarbeit*.

Kurzarbeit-type approaches seem to pave the way towards effective implementation of plant-level agreements on socially responsible restructuring. In a crisis context generally, governments may be vital in providing an enabling environment for enterprises

[41] European Commission, 2008; 2009a; 2009b; Telljohann et al., 2009; Welz, 2009; ETUI, 2009a; 2009b.

to adjust, notably by supporting threatened industries and companies headquartered in their countries.

Additional drivers for successful implementation may include:

- communication before, during and after the agreement so as to ensure workers' buy-in or "ownership" of the agreement;
- effective, joint monitoring and follow-up procedures;
- a management belief in the capacity of its existing labour force to continue to be employable after the crisis, thus ensuring the mitigation of future costs associated with new hiring; and
- a commitment to in-sourcing (rather than outsourcing).

Overall, the industrial relations framework of the country where companies operate may have constituted a determining factor in paving the way to win-win plant-level restructuring agreements and effective implementation. The presence of socially responsible industrial relations is an essential precondition for initiatives that enable enterprises to adjust effectively to crisis situations. Such systems allow for well-established collective bargaining systems and a strong culture of labour–management consultation that provide the means for better mutual understanding. This may explain why France and Germany have demonstrated possibly the greatest ability to develop restructuring plans that avoided massive lay-offs.

Concluding remarks

The examples cited in this paper serve to illustrate that since 2008, negotiations on restructuring that have taken place at the plant and cross-border levels (on the basis of dialogue structures established before or during the crisis) seem to be effective in protecting employment, ensuring workers' buy-in in restructuring decisions and giving room for manoeuver to companies until the global economic recovery.

The above practices are broadly in line with the principles of the Global Jobs Pact adopted by the International Labour Conference in June 2009. The Pact emphasizes the importance of limiting or avoiding job losses and supporting enterprises in retaining their workforce, through well-considered initiatives, designed through social dialogue and collective bargaining at all levels.

A major explanatory factor of socially responsible practices of restructuring may have been the availability of public funds aimed at subsidizing employment protection. Therefore, at least part of the costs of the agreements incurred for companies may have been offset, while the willingness of unions to effectively concede pay cuts or freezes increased. Also, the projected costs generated by workers' mobilization against restructuring, or because of an absence of dialogue and collective bargaining during the crisis, may have constituted an additional motivation for companies to consider concluding such agreements.

While the economic performance of the enterprises that adopt such initiatives is a major factor for their sustainability, two interrelated macroeconomic flags should be hoisted. First, enterprise initiatives that consist of securing employment in exchange for sacrifices (pay freezes and pay cuts, for example) pose a risk of deflationary wage spirals with obvious negative consequences in terms of recovery. Such developments can be prevented by complementary initiatives such as government-funded income-support measures. Second, as public deficits mount, it is unclear how long many governments will be able to resist pressure for an early exit from the stimulus measures. Some clarity on this question may well depend on whether governments, businesses and unions at all levels will be able to function as allies sharing a common vision for global recovery, one that places employment protection and income-led growth at the centre of macroeconomic, institutional and enterprise policy making.

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Appendix

Transnational company agreements on restructuring and related issues, as of March 2010

Company	Headquarters	Main activities	Employees (approx. 2008–2009)[a]	Themes	Signatory parties on the employee side	Date of signature
ArcelorMittal	Luxembourg	Metal, steel	296,000	Managing and anticipating change; safeguarding employment; transitions; development of competencies; social dialogue; follow-up committees	EMF	2009
Axa	France	Finance, Insurance	112,000	Social dialogue, restructuring, avoiding redundancies, training, employability	UNI (mandated by 18 unions of 8 countries), 5 French unions	2005
					Axa EWC (Annex to the original EWC agreement)	2009
British Petroleum (BP)	UK	Oil, gas / energy production / transport	80,000	Restructuring, consultation process in order to avoid redundancies through the use of alternative options	BP EWC	2007
British Airways	UK	Air transportation	40,000	Restructuring, social dialogue, processes, cost-savings policy	BA EWC	2009
Club Méditerranée	France	Leisure	20,000	Restructuring: Sub-contracting, mobility Turkey France	Club Med EWC	2001
				Transnational mobility of employees between Turkey, Africa and Europe, employment conditions of migrants, seasonal work	EFFAT, IUF	2009
Daimler (-Chrysler)	Germany (United States)	Metal, automotive	273,000	Labour management collaboration on key issues facing the company at a global	Daimler Chrysler World Employee Council	2002/2007

Company	Headquarters	Main activities	Employees (approx. 2008–2009)[a]	Themes	Signatory parties on the employee side	Date of signature
				level, including the structure of the Group, its economic and financial situation, anticipated developments and employment situation and anticipated future trends	IMF	2002
Danone	France	Food and drink	100,000	Restructuring	Danone EWC	2001
Deutsche Bank	Germany	Finance	75,000	Restructuring: Management of change	Deutsche Bank EWC	2004
Dexia	Belgium	Finance	25,000	Social management	Dexia EWC	2002/2007
Diageo	United Kingdom	Food and drink	22,000	Restructuring	Diageo EWC	2002
EADS	Netherlands	Defence, aerospace	110,000	Restructuring	EADS EWC	2006
Ford Europe	United States (Germany)	Automotive industry	283,000	Restructuring: Spin-off Visteon	Ford Europe EWC	2000
				Restructuring: joint-venture CFT	Ford Europe EWC	2000
				Fundamental rights and CSR	Ford Europe EWC	2003
				Restructuring: Joint-venture IOS	Ford Europe EWC	2004
				Restructuring	Ford Europe EWC	2006
				Restructuring	Ford Europe EWC	2008
Generali	Italy	Finance, insurance	61,000	Social dialogue, CSR, restructuring	Generali EWC	2006
General Motors Europe	United States (Switzerland)	Automotive industry	327,000	Restructuring: Joint-ventures GM/Fiat	GM EWC, EMF	2000
				Restructuring: Luton	GM EWC	2001
				Restructuring: Olympia plan	GM EWC	2001
				Restructuring	GM EWC, EMF	2004
				Restructuring: Astra	GM EWC, EMF	2007
				Restructuring: Antwerp	GM EWC, EMF, Belgian unions	2007
Geopost	France	Logistics	19,000	Social management and employment	UNI, 3 French unions, 2 other unions	2005
Lhoist	Belgium	Materials construction	7,000	Restructuring: Subcontracting	n.a.	2002

Company	Headquarters	Main activities	Employees (approx. 2008–2009)[a]	Themes	Signatory parties on the employee side	Date of signature
RWE	Germany	Energy	73,000	Restructuring	RWE EWC	2007
Suez (Lyonnaise des Eaux)	France	Utilities and communication	140,000	Restructuring: Forward looking management of employment and skills	Suez EWC, ETUC, CEC, 4 French unions	2007
Schneider	France	Electric materials	88,500	Restructuring: Anticipation of change	EMF	2007
Solvay	Belgium	Chemicals, pharmaceutics	30,000	Restructuring: Subcontracting	Solvay EWC	1999
				H & S	Solvay EWC	2002
				Social management in joint ventures	Solvay EWC	2003
Thales	France	Defence	70,000	Improving workers' employability, identifying training needs, anticipating technological change	EMF	2009
Total	France	Petrochemicals and energy	95,000	Social dialogue, restructuring	EMCEF, FECCIA-CEC, FECER,	2004
				Social dialogue, restructuring	EMCEF, FECCIA-CEC, FECER,	2004
Unilever	Nether-lands/ United Kingdom	Food and drink, home and personal care	179,000	Restructuring	EWC (involved)	2001

See list of acronyms for full forms.

a. The figures refer to the global labour force of the companies examined. However, the majority of the above-mentioned transnational agreements cover only the European operations and labour force of the companies.

Source: Telljohann et al. (Eurofound), 2009; European Commission, 2008; and European Commission, 2009c, adapted and extended by author.