

Joint Lessons Learned on Restructuring, Managing Change, Competitiveness and Employment

A. Introduction

A call on all players of the European Chemical Industry

The Social Partners of the European Chemical Industry – the European Mine, Chemical and Energy Workers' Federation (EMCEF) and the European Chemical Employers Group (ECEG) jointly call on all actors in the European Chemical Industry – national, regional and local Social Partners, company management, employees and their representatives at company level – to take the following joint lessons learned into account for their activities and to help to mainstream the findings expressed in the following document throughout the European Chemical Industry.

The European Chemical Industry

The European Chemical Industry is an irreplaceable provider of innovative solutions to the whole EU economy and is indispensable for providing answers to the main societal challenges like climate change, environment and quality of life. Within the EU27 countries, it directly employs around 2 million people, the majority of them in jobs requiring a high level of qualification and constant further training.

Having been one of the first sectors to be really globalised, the Social Partners, companies and employees have collected a significant range of experiences throughout the past decades on restructuring.

The Social Partners of the European Chemical Industry

EMCEF

The European Mine, Chemical and Energy Workers' Federation comprises 2.5 Million blue and white collar workers in 35 countries and 129 national trade unions in a broad range of industries. These include the chemical industry, but also mining, energy and several process industries. It is one of the 12 European Industry Federations who are members of the ETUC. EMCEF was founded in 1996 with the merger of the European Mineworkers Federation and the European Federation of Chemical and General Workers and works closely with ICEM, the global Chemical and Mineworkers Federation.



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ECEG

The European Chemical Employers Group is an independent federation within the Cefic (European Chemical Industry Council) family of organisations representing the European Chemical Industry in many areas. The ECEG, which deals with social affairs and social dialogue on behalf of the industry, was founded in 2002 and has at present 23 national Chemical Industry employers federations from as many European countries as members.

Project Restructuring, Managing Change, Competitiveness and Employment in the European Chemical Industry

From July 2007 until May 2008 the Social Partners of the Chemical Industry worked together on the project “Restructuring, Managing Change, Competitiveness and Employment in the European Chemical Industry”. During the course of the project they organised two workshops, one for the EU15 countries in Wiesbaden, Germany and a second one in Prague, Czech Republic for the EU12 countries. Both took place in September 2007. In November 2007 a European Social Partner Conference with representatives from EU27 countries took place in Lisbon. External expertise during those events and the whole project came from the EU Commission, the Dublin Foundation for Improving Life and Working Conditions, the European Monitoring Centre for Change (EMCC) of the EU Commission and – as external project partners – from the London School of Economics (LSE) in London, United Kingdom, and the Foundation for Advanced Social Trust (fast-bg) in Sofia, Bulgaria.

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B. General Findings

Restructuring in the European Chemical Industry

The past years have seen massive investments in additional chemical production capacities in Asia and the Middle East. This trend will continue. Investments in Europe were more focussed on raising the competitiveness and the profitability of

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the existing production facilities. So restructuring is a widespread phenomena in the industry. Production growth in the EU has been lower than on global level and the overall employment in the European Chemical Industry is lower today than several years ago. The average age of the employees in the Chemical Industry has risen and the percentage of low and non-skilled labour employed in the industry is lower than it has been in the past.

The nature of restructuring in the Chemical Industry in Europe however is very diverse. No case is exactly comparable to another and many different phenomena can be seen. Therefore, in order to do justice to this diversity of restructuring, a 'one-size-fits-all' approach is not possible and tailor-made approaches are necessary for each individual case.

As a first step, restructuring cases affecting a single company, factory, laboratory or office can be distinguished from situations in which a whole sector or even a whole economy on national or European level are affected by changes. The latter situation could especially be seen in the EU12 countries during the past 18 years – and in some countries privatisation is still an on-going process. However, the EU15 Chemical Industry recognises such effects as well. This type of restructuring are usually triggered by political decisions on regulations affecting the Chemical Industry or by large steps in the technological progress. Particularly in cases like this, where large numbers of companies or sites are affected, it is helpful for the Social Partners on a national or European level to work closely together. They can provide a framework for support and help to individual companies and employees – which in these cases are usually all affected in a comparable way at the same time – as well as to join forces to make the interests of the sector visible toward the political and the public arena.

The most relevant forms of restructuring, which tend to effect a single company or site, are the result of

- merger and acquisitions / change of ownership
- delocalisation / offshoring
- closures
- expansions
- internal changes of structures
- outsourcings
- relocations

(This list refers to the types of restructuring as used by the European Monitoring Centre on Change – EMCC of the EU Commission)

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In these situations the Social Partners on a national or European level may provide guidelines, recommendations or a toolbox of instruments to deal with the restructuring (e.g. within the national collective agreements or joint texts where those exist). However, detailed discussions on the restructuring cases will usually take place at company or site level between the management and the relevant employee representatives.

All these forms of restructuring can be seen from very different points of view

- management of company headquarters
- management of local factories
- employees and their representatives (e.g. works councils) in factories and companies
- employers associations on national and European level
- trade unions on national and European level
- regional administrations
- national governments
- etcetera

Depending on the point of view, the interpretation of the situation will be different and the measures seen as appropriate will also be different. Therefore, an extensive dialogue between all players that have an interest in the restructuring is necessary in order to understand each other and the respective expectations and therefore to find sustainable solutions.

The Social Partners of the Chemical Industry at a European level have followed the restructuring in the industry they represent very closely over the past years. Furthermore, they have actively engaged in the political discussion around restructuring both in Social Dialogue as well as in the policy debate around the issue. Therefore, because it is evident that the restructuring taking place has many influences on the workplaces in the Chemical Industry, ECEG and EMCEF decided to exchange experiences and discuss the issue in more detail on the sector level in Europe.

The EU Chemical Industry is not disproportionately highly affected by restructurings

The studies and facts presented during the project – especially from EMCC (European Monitoring Centre for Change, Dublin) of the EU Commission – showed the Chemical Industry in Europe today is not more strongly affected by restructuring

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than other industrial sectors – and the latest data showed the majority of restructuring cases in the Chemical Industry created more jobs than were lost. However, restructuring is an ongoing process in the EU Chemical Industry as in many other parts of the economy. There was no single starting point for restructuring in our industry, and in the same way there will be no endpoint. The information identified that much of the restructuring taking place in the Chemical Industry is not limited to a single factory or country and therefore has cross-border effects.

Delocalisation not the main driver

The data given by the EMCC further showed that the phenomena of delocalisation of production is not the main driving force for restructuring in the Chemical Industry. Such cases are taking place, but the numbers are very low compared to other forms of restructuring (less than 10 percent of all restructuring taking place) and much lower than in many other sectors of the economy.

Special situation of the Central and Eastern European Chemical Industry

There are still structural differences between the Chemical Industry in the EU15 and the EU12 countries. Companies in the sector in Central and Eastern Europe (CEE) tend to be smaller on average than in the EU15; the infrastructure especially regarding logistics (pipelines, ports, railway lines, etcetera) still needs additional investments and is not sufficiently integrated into the EU15 systems; a growing trade deficit can be found for chemical products in most CEE countries. Those facts, among others, suggest a more intensive consolidation process will have to be faced by the sector in these countries. At the same time, a higher growth potential for consumption and production of chemicals can be stated. Any relevant national and EU policies need to take those differences into account.

Restructuring maintains competitiveness

The cases and information presented during the project underlined that restructuring is mostly driven by economic developments, i.e. the need for companies to be competitive in the global markets, achieve sustained success and to be sufficiently profitable. The restructuring in these situations are reactions in order to regain, maintain or improve the competitiveness of a certain business,

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factory, production line, whole company, etcetera. Therefore restructuring of this nature should not be avoided or hindered, otherwise competitiveness will be lowered or lost completely, with possible dramatic consequences for the companies and their employees. Thus restructuring very often can be seen as a positive step securing the long-term prospects for everybody involved.

However, restructuring triggered by new regulations and political decisions cannot always be seen in the same positive way. In these cases management and employees, Social Partners on national and / or European level should join force to influence these decisions as early as possible by indicating the possible effects to the competent authorities. If regulation cannot be shaped in a way to avoid negative effects on the sector, it should at least foresee sufficient time for companies to adopt their activities to the new rules and for affected employees to prepare for an occupational retraining.

Restructuring affects employees

Even if restructuring is positive for the future prospects of the sector and its companies in general – and often it leads to an increase in employment - individual employees, sub-sectors, companies, factories or production lines are often negatively affected by certain measures. Here a need exists to manage the necessary changes in a way which reduces those negative effects as much as possible – without avoiding the restructuring itself.

C. Good Practices in the Chemical Industry

Good Practice identified

During the course of the project a number of good practice examples were presented on how changes can be handled, in order to reach the best results for everybody involved. All those examples were special cases and tailor-made to certain situations. However, it is possible to identify a number of general findings from those cases which identify ways on how to improve the handling of restructuring cases. Among those subjects identified were

- *Build trust inside companies and sites - work together constructively*
In order to be able to handle restructuring as successfully as possible once it becomes necessary, it is helpful to build a permanent atmosphere of trust



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between management and workers/ trade union representatives in the company. Thus employees should be informed and consulted about the economic situation of the company or the business strategy on a regular basis. This will enable both sides to work together closely in the handling of the restructuring and will supply the necessary credibility to both sides in such discussions.

- *Discuss possible scenarios for change management*
As restructuring is an ongoing process and will sooner or later affect every company, factory or production line, it is useful to discuss between management and employees and their respective representatives in the company how to handle such situations. This will be done within the framework of the national traditions or existing regulations. This will prepare both sides for the situation once change is necessary and will make the whole process more predictable and understandable to everybody.
- *Build trust between Social Partners*
The necessity to anticipate change and to prepare for restructuring on all levels requires the ability of the Social Partners at European, national or regional level to work together. Therefore not only a mutual recognition is necessary, but the Social Partner organisations need to be capable to fulfil their role, equipped with the relevant resources and need to be representative for their membership. The details of the way the Social Partners are organised and work with each other naturally follows the rules and traditions at the different (regional, national or European) levels.
- *Communicate and inform regularly and timely*
The main need to manage restructuring in a successful way, even if it affects individual employees in a negative way, is to provide information. Only if information is shared between all players will it be possible for everybody to understand the need and the context for the individual restructuring situation. Therefore it is strongly advisable for management to inform all employees, whether they are directly affected or not, from the moment the need for the restructuring becomes clear until the end of the implementation of necessary changes. Information should be given regularly and timely on why a decision was necessary, who has taken the decision, what alternatives might have existed and what changes to a decision might have been necessary in the implementation phase. This can help to avoid rumours and disinformation to spread. It will also be necessary to find a way to handle confidential business information between the management and employee/trade union representatives in an adequate way.

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- *Continuous, “lifelong” learning with investment from employers and employees keeps employability high*
If a change of job is necessary for a certain employee – either within the same company or externally – the knowledge and level of training is crucial in order to enable the employee to be qualified for the new post. In order to keep this employability at the necessary level – which is in the interest of the employee as well as of the employer – it is useful to define jointly and on a regular basis any possible training actions and also to agree a fair sharing of the burden regarding the costs involved with such training actions, according to the national traditions and regulations. Any acquired qualifications in such training processes should be documented and existing European-wide certificates could be used in order to enable possible future employers to make better judgements on the qualifications of the employee. The Social Partners of the Chemical Industry on the European level will continue to support the developments of such European-wide certifications and descriptions of qualifications.
- *Implement programmes (training, information, etcetera) to prepare employees for their new tasks*
In cases where employees have to change their job within a company or in which the nature of the job is changed due to restructuring it is helpful to foresee early training interventions and information regarding the new job requirements.
- *Use financial resources for investments into employability*
If any financial resources are available from public institutions or have to be provided due to national law or traditions by the company because of the restructuring, it might be better for them primarily to be used for the training of affected employees and for programmes helping those people to find alternative jobs instead of providing simple redundancy payments. Such an approach increases the employability of people and helps to secure their long-term prospects in the labour market.
- *Contracting out*
In restructuring cases which do not necessarily lead to a loss of employment, but in a change of the actual employer (outsourcing, contracting out, etcetera) it has been proven helpful to inform affected employees on the employment conditions with the new employer as soon as possible and to try to search for fair transfer solutions wherever necessary and possible. Furthermore, in order to maintain a high level of safety of the operations, wherever possible within the mandate of the relevant regional, national or European organisations, the Chemical Industry Social Partners should have a

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joint analysis of the relevant processes and standards in the contracting companies. The European Social Partners of the Chemical Industry are currently looking into the possibility for further joint work in this area.

- *Work closely with local institutions and organise internal job markets*
In situations where an adjustment of the number of people employed in a certain location becomes necessary, contact should be made by the affected employees, their representatives and the management to the local employment agency as early as possible. This will enable their advice and knowledge of the local labour market to be taken on board as part of the process. In larger companies it might be possible to use or set up an internal job market to offer employees alternative jobs at other production locations of the company. Another possibility would be to search for job opportunities with local partner companies like suppliers or main customers. National or regional Social Partners may, depending on the national laws and traditions, be able to help by providing frameworks for job markets, training programmes or outplacement support. All these steps of course only work with the necessary flexibility from all sides – management, affected employees and their representatives.
- *National experience and labour relations have to be respected, but cross-country restructurings need broad discussions with all those affected*
It is essential to respect the very different national traditions and regulations existing in the 27 EU member countries on restructuring in general and on labour law and social security systems in particular. Thus certain discussions and decisions can only take place by the relevant national bodies and institutions. However, as many restructuring exercises are of a cross-country nature it has then proven very useful to organise processes involving representatives of all affected groups from different countries as well. This will normally take place within the framework of existing European Works Councils or SE Works Councils.

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