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Continuous Restructuring and Transfers from Redundancy: Critical Demands on the Main Social Actors in Germany

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Stylised Facts about Dismissals in Germany

- 85% for economic reasons
- 56% of cases: no workers' representation
- 75% no information to workers' rep.
- 98% no objection by workers' representation
- 92% not covered by a social plan
- 78% of dismissals without any legal resistance, financial sanction or assistance to workers

Source: Bielenski, H., et al., 2003: Die Beendigung von Arbeitsverhältnissen: Wahrnehmung und Wirklichkeit. Arbeit und Recht 51, 3: 92-98.



Unsatisfied Needs for Support

<i>Sources: Employment Statistics of the Federal Employment Service; Bielenski et al. 2003 op.cit.; own calculations</i>		per cent	of line	thousands
1	annual number of job separations (long term average)	100		6,500
2	dismissals	32	1	2,080
3	redundancies	85	2	1,768
4	legally qualified for social plan	12	2	250
5	actually covered by social plan	8	3	166
6	deficit in social plans		4 5	83
7	deficit in provision		3 5	1,602
8	entries into unemployment from employment (2001)			3,424

Public Grants in Supplement to Social Plans with Provisions for Outplacement

year	no. of enterprises	of these: <i>insol- vencies</i>	no. of employees con- cerned	average grant per redundant employee €
1998 07/2000	148	?	8,778	2,039
2001	134	35%	7,426	3,494
2002	214	32%	13,559	3,878
annual no. of redundancies			1,768,000	
↪ coverage of public provision			< 1 %	

Source: Federal Employment Service

Evaluation of Subsidies to 'Transfer Measures' 1998 – 2000

- enterprises <50 employees under-represented
- women under-represented (in relation to the national workforce, not the workforces concerned)
- services under-represented
- 'not unemployed' after participation: 73%
- in work (including 2% self-employment): 60%

⇒ no assessment of net effects

Legal Provisions since 2004:

(1) Subsidies to 'Transfer Measures'

- threat of unemployment due to redundancy
 - employer commissions third party provider with measures aimed at re-integration into the labour market
 - provider operates a quality control system
 - employer bears at least 50% of cash-flow cost (no 'in kind' contribution accepted)
- ⇒ maximum of 2,500 € per participant in subsidies

Legal Provisions since 2004:

(2) Short-time Compensation for Transfers from Redundancy

- jobs disappeared due to restructuring
⇒ short-time at 'zero hours'
 - redundant workers concentrated in separate unit
⇒ 'transfer company' if also legally separate
 - in order to delay their dismissal and to support their re-integration
 - participants have gone through profiling / screening (which can be subsidised provision under (1) before entering short-time)
 - participants 'shall' receive vacancy information, training, work experience with other employers, job search coaching
- ⇒ wage loss compensated at a rate of 60% (67% for workers with dependent children)
- ⇒ for a maximum duration of 12 months

Changes in Comparison to 1998 – 2003

(1) 'Transfer Measures'

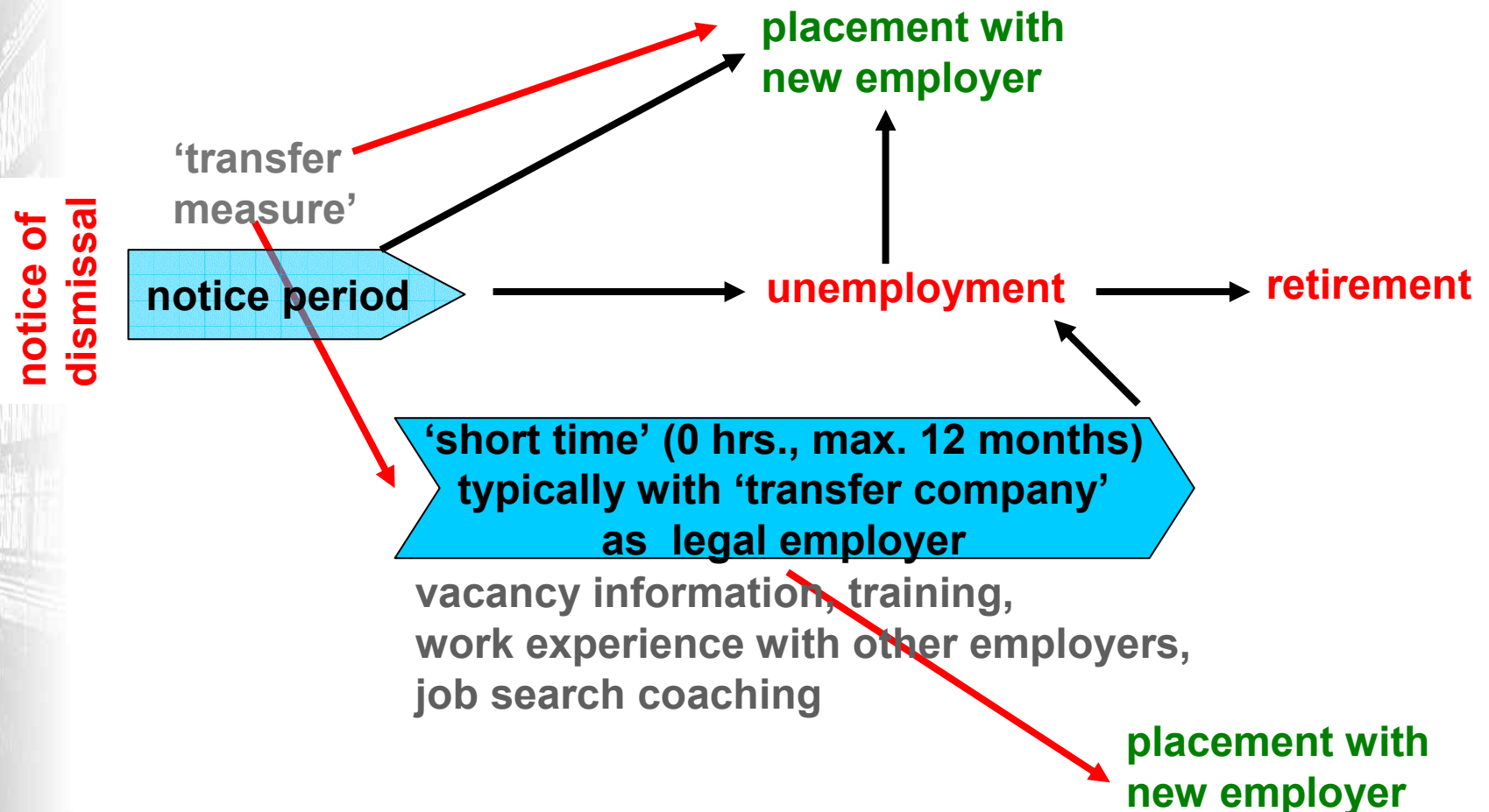
- size of enterprise no longer matters
- amount of subsidy clearly defined:
maximum of 50% of total cost or 2,500 €
 ↪ discretion in favour of insolvent firms abolished
- 'in kind' efforts (time off for participation, use of employers' premises) count no longer as employers' contribution

Changes in Comparison to 1998 – 2003

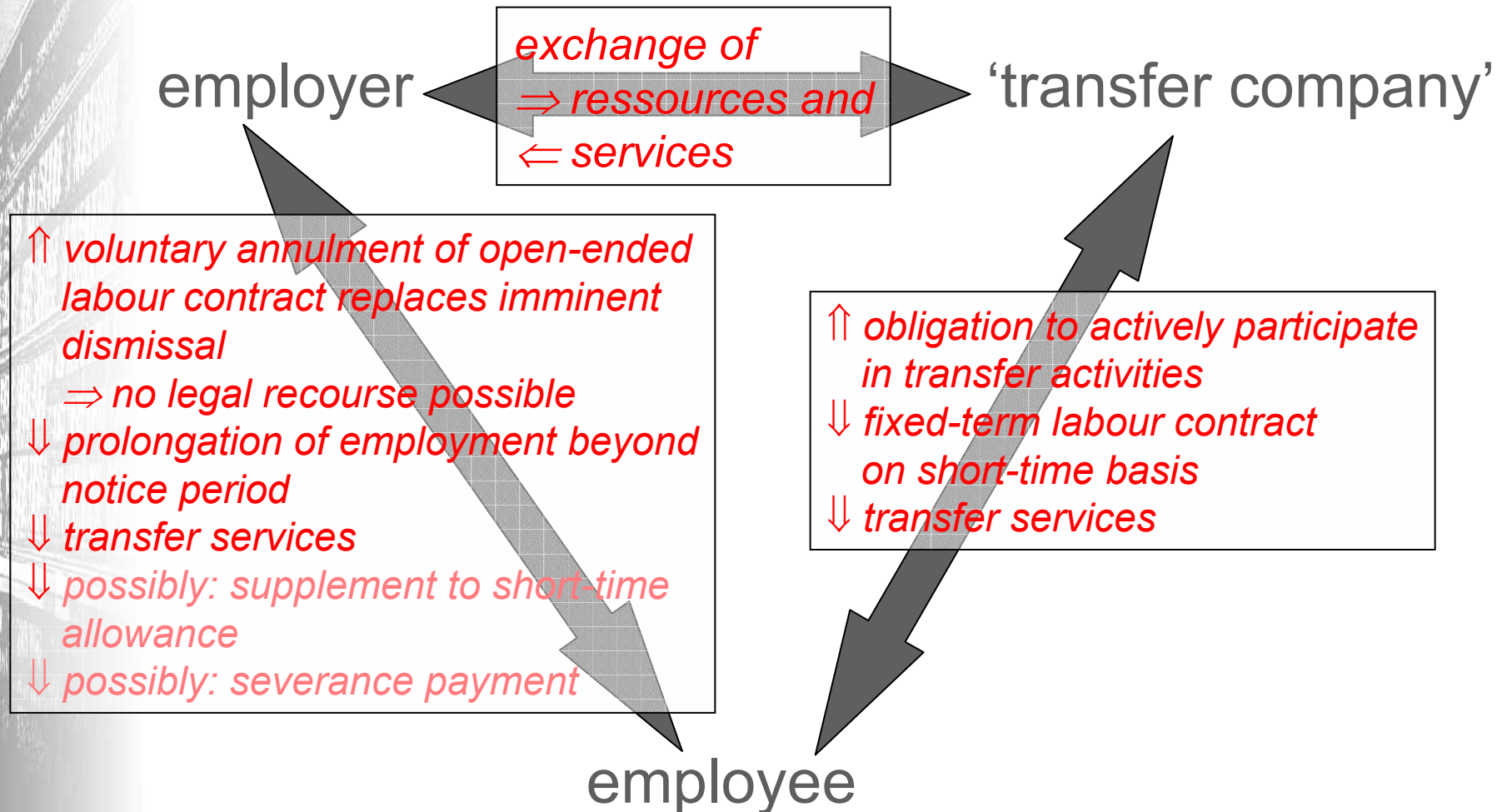
(2) Short-time Compensation for Transfers from Redundancy

- ‘restructuring of enterprise’ sufficient as qualification (previously: structural crisis of the respective industry)
- provisions clearly sequenced: (1) can be gateway to (2) (previously competing provisions)
- short-time compensation limited to 12 months (previously 24)

The 'Transfer Chain'



The 'Transfer Deal': The Role of Transfer Companies



Demands on Redundant Workers in the Process of Transfer

- accept 'real services' as an equivalent (totally or in part) for severance payments
- accept the ending of an employment relationship many may have believed to be 'for life'
- orient themselves towards new challenges and conditions

Demands on Employers

- envisage and commission employment oriented measures (possibly in times of corporate crisis)
- pay at least 50% of costs of 'transfer measures' + full wages for participation during working hours
- bear **residual wage costs** during short time
 - ⇒ social insurance contributions, full wages for bank holidays and annual leave
 - ⇒ **35% of regular wage costs**
 - plus possibly negotiated supplements on top of short-time allowances
- bear these reduced costs for periods longer than employees' individual notice periods (up to the legal maximum of 12 months short time)
- pay 100% of employment assistance costs during short time (unless ESF can be tapped)

Demands on Works Councils

- defend **existing jobs** and simultaneously envisage transfer assistance to **new jobs**
 - ⇒ at which point in the negotiating process do you openly switch strategy?
- give redundant workers **confidence** in opportunity for transfer
 - ‘real services’ of employment assistance more sustainable than cash payments
- monitor quality and fairness of transfer services

Demands on Trade Unions

- observe 'critical' corporate development in order to be prepared for pro-active responses
 - ↪ often: bring first information on the mechanisms of transfer and of public provision to the employer
- strategic coaching of works councils
- give employees confidence in transfer provisions
 - ↪ accept irony of transfer to new industries:
 - ⇒ loss of members for TU representing old industry

Demands on the Public Employment Service

- explain and implement **complicated** provisions in a **straightforward** manner
- provide information on available provisions and providers for employers and works councils
- ↪ **win access to small enterprises in crisis where no workers' representation exists**
- win the confidence and commitment of employers and works councils who are 'first time users'
- monitor the quality and outcome of third party provision

Demands on Providers

- mediate between all the other actors
- survive and maintain professional quality in a highly cyclical business
- infuse optimism and can-do attitudes in seemingly hopeless situations