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# Active restructuring policies and older workers: The Flemish case

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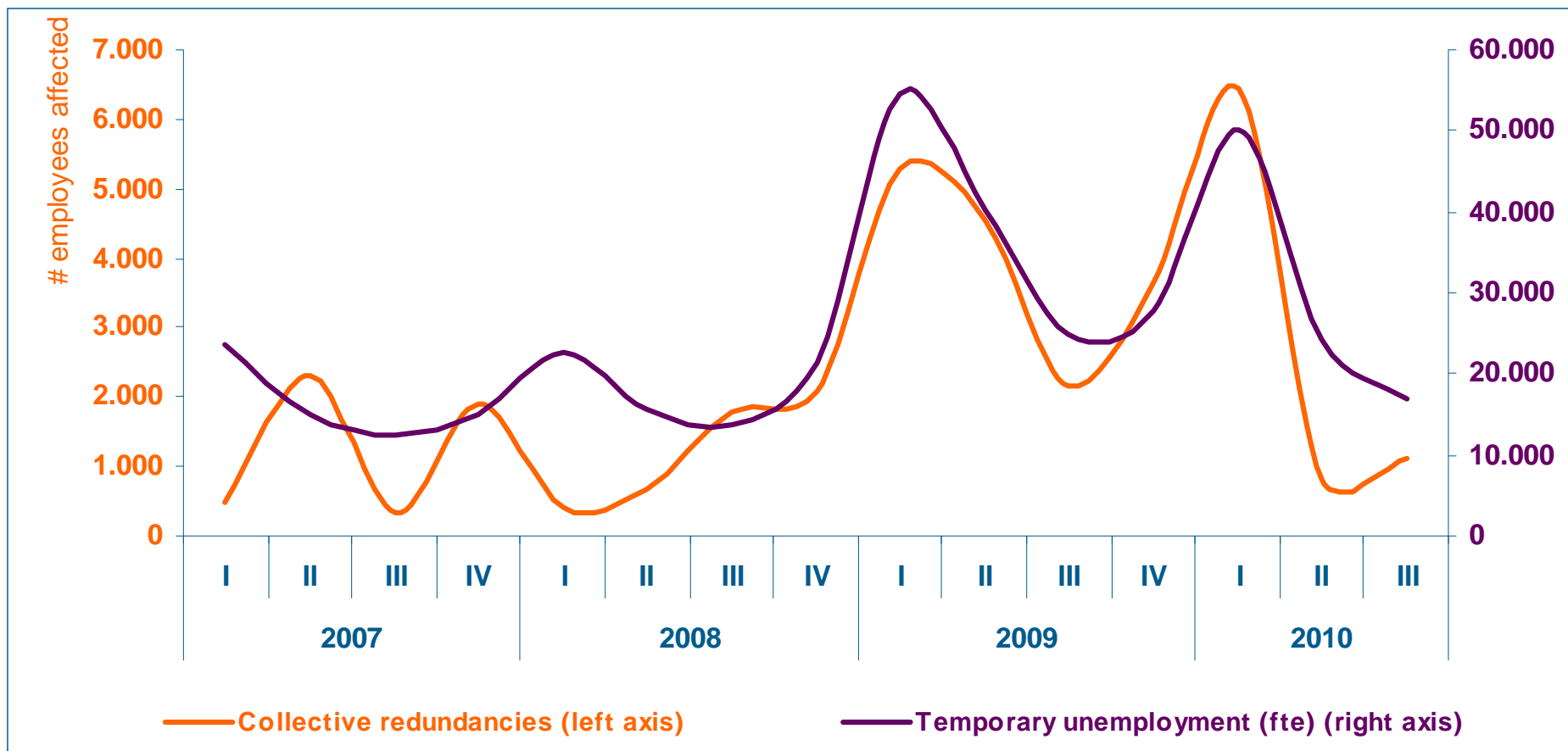
**Active labour market policies for Europe 2020 –  
Ways to move forward  
Flemish policy seminar 28-29 october 2010**

1. **Some figures**
2. **An active restructuring approach:**
  - I. **Preventive policy: anticipation to restructuring**
    - Working time buffers (temporary layoffs)
    - Worksecurity versus jobsecurity
  - II. **Curative policy: support for dismissed workers**
    - Employment units & Outplacement
    - Social intervention advisors within PES (first line towards firms)
    - Approval regional/federal Minister on activation measures
    - Social intervention Fund
3. **Conclusions**

# % of jobloss and number of operations of restructuring, 1 january 2002- 15 july 2010

	Belgium		Europe	
	Number of jobloss	Number of operations	Number of jobloss	Number of operations
Downsizing (internal restructuring)	69,5	57,9	73,2	62,7
Bankruptcy/ closure	18,4	28,3	17,0	24,5
Delocalisation	7,4	9,1	4,8	7,5
Fusion/acquisition	3,9	3,1	3,8	3,9
Outsourcing	0,9	1,3	0,9	0,8
Others	0,0	0,3	0,4	0,6
Total	100,0	100,0	100,0	100,0
Numbers	109.615	318	3.864.900	7.500

# Numbers of collective lay-offs and temporary layoffs (temporary unemployment benefits) Flanders 2007-2010



Source: collective layoffs: PES (VDAB); temporary layoffs: RVA

# Definition collective layoffs

**All workers “at risk for restructuring” who are registered by PES**

- **subject to procedure collective lay offs**

**Definition= dismissal for economic and technical reasons (not for individual reasons) in period of 60 days firms with at least**

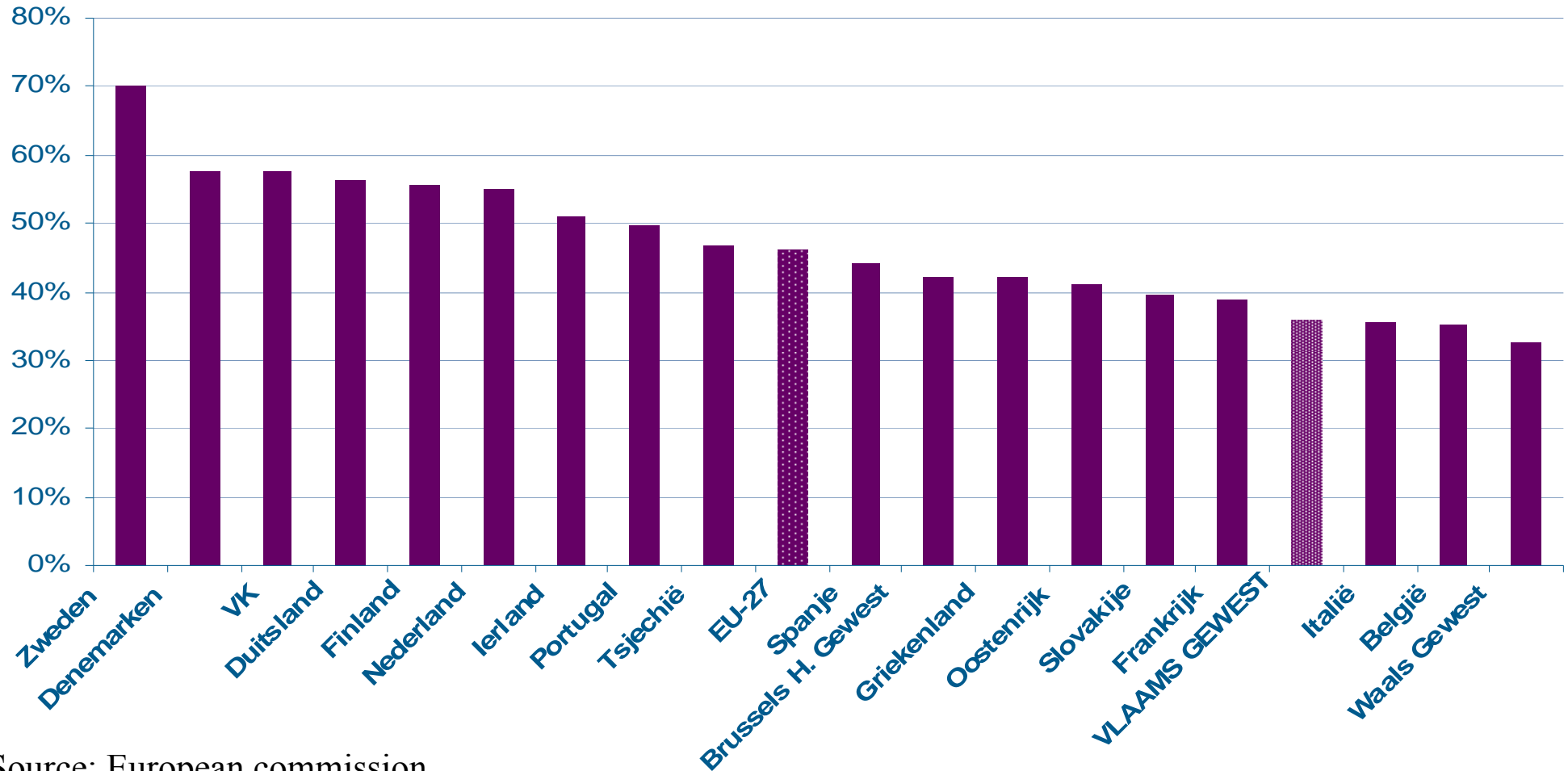
- **> 300 workers: 30 dismissals**
  - **100-299 workers: 10% of dismissed workers**
  - **>20-99 workers: 10 dismissals**
- **other collective dismissals**

## Numbers of collective lay-offs according to age: older workers are victims of restructuring!

	<b>TOTAL</b>	<b>50+</b>	<b>50-</b>
<b>2007</b>	<b>5.041</b>	<b>4.554</b>	<b>487</b>
<b>2008</b>	<b>4.973</b>	<b>3.395</b>	<b>1.578</b>
<b>2009</b>	<b>15.616</b>	<b>12.653</b>	<b>2.963</b>
<b>2010 1e</b>	<b>9.070</b>	<b>8.419</b>	<b>651</b>
<b>2010 2e</b>	<b>803</b>	<b>265</b>	<b>538</b>
<b>2010 3e</b>	<b>1.123</b>	<b>224</b>	<b>899</b>

Source: PES

# Employment rates for 55-64, 2009



Source: European commission,

# An active restructuring approach

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- **Preventive policy= anticipation to restructuring**
  - **How to prevent jobloss ?**
- **Curative policy= Support after jobloss**
  - **How to support work-work transitions ?**



# Institutional Context: Division of competences between the federal level and the 3 regions may create inefficiencies



- **Regional Minister of Work**

- Guidance of unemployed
- Job placement
- Vocational training
- Special employment programs

- **Federal Minister of Work**

- Labor law (also collective dismissal)
- Collective labor agreements
- Social security (eg..early retirement schemes/ “brugpensioen”)
- Employment programs ( (labor cost reductions; repayment of outplacement costs)



# I. Preventive policy: anticipation to restructuring



## 1. Main instrument used by firms = Working time buffers

-> temporary layoffs (“Short-time allowances):

- **Federal schemes:**
  - **federal temporary layoffs for blue collar workers**
  - **temporary working time reductions for crisis reasons (untill end 2010):**
    - » **Federal temporary layoffs for white collar workers**
    - » **Collective reductions of working hours**
- **Flemish transition allowance (“overbruggingspremie”)**  
**(untill end 2010)**

# I. Preventive policy: anticipation to restructuring



## Advantages (compared to dismissals):

- fast flexible adjustment to demand fluctuations
- avoiding high dismissal and recruitment costs for employers
  - During last crisis saved about 41 500 (full&parttime) jobs compared to a net-loss of jobs of 17 500 (Steunpunt WSE)
- jobsecurity for employees

## Disadvantages (compared to dismissals):

- unreasonably extend U-benefits/ high cost for tax payer
- maintain non-competitive industrial structures
- low incentives for training (passive character)
  - Only 1% in training for federal schemes; 4% for Flemish transition allowance

## 2. Work security vs jobsecurity

- **Stimulation of internal and external mutations**  
-> jobmobility is low in Belgium/Flanders
- **Making transitions within employment pay by supporting employability:**
  - Lifelong learning in Flanders: 7,4% of workers in permanent learning, only 5% of 50+workers (fig. 2009)
  - job-(re)orientation (in Flanders 19 joborientation centres+PES, can be paid by ‘vouchers’: between 2005- 2009: 23.671 workers, 48% of riskgroups

# I. Preventive policy: anticipation to restructuring



## 3. More pro-active and earlier consultation between employer and trade unions ?

-> See proposal federal minister during conference 18-19 October 2010 on Restructuring

- Improving the information and consultation procedure
- more pro-active role of social negotiators
- Monitoring: which firms are at risk for restructuring



## II. Curative policy measures: Support after job loss



- **Implementation of active restructuring policies in Flanders**
  1. **Employment units and outplacement**
  2. **Social intervention advisors within PES (first line towards firms)**
  3. **Approval of the Regional Minister on activation measures**
  4. **Social intervention Fund**
  5. **Financial incentives to re-employ laid off workers (labour costs subsidies, financial support for outplacement )**



## II. Curative policy measures: Support after job loss

	<b>“generation pact law” (23/12/2005)-&gt;royal decree (9/3/2006 &amp; 3/5/2007)</b>	<b>“Economic recovery law” (27/3/2009)-&gt;royal decree 22/4/ 2009</b>
<b>Scope</b>	Firms applying for early retirement at reduced age	firms with at least 20 workers
<b>Targetgroup</b>	Workers 45+	Workers -45 and 45+
<b>Support</b>	Employment units +outplacement+ replacementsubsidies	Employment units +outplacement+ replacementsubsidies

# 1) Employment units & outplacement

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## – Role:

- **Stimulating work-to-work transitions and prevention of benefit dependency**
- **Coordination of all actions to reintegrate collective dismissed workers (follow up outplacement, job offers, training opportunities)**
- **Cooperation between all partners involved: employer; trade unions, outplacement office, sectoral training fund, chair=local director of PES;**

## – Duration of participation of dismissed workers in employment unit:

- **45+ : 6 months, min.60 hours outplacement**
- **45- : 3 months, min.30 hours outplacement**



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– **Status of dismissed workers in employment unit:**

- **No contract anymore with employer**
- **Registered unemployed**
- **Activation allowance during employment unit (may continue afterwards)**
  - = **redundancy payments**
  - = **independent of finding a job (no incentive for quick work-work transitions)**

– **In Flanders: “Firm specific” employment units and 15 “permanent” employment units (for small sized firms)**

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- **Outplacement offer approved by regional and federal Minister**
  - **Outplacement: paid by employers and managed by private providers**
    - **But also intervention of UI (repayment of outplacement cost :no re-employment: -45: 500€;+45:1000€/ re-employment: -45: 1000€;+45: 2000€) and intervention of sectors**
  - **Outplacement comes in place of PES -> quality control by**
    - **approval of outplacement by regional and federal minister + follow-up in employment units**
    - **self-regulation: CERTO, quality label from January 2011 in operation**

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- **When successful reintegration after employment unit -> reduction of social contributions for new employer and for employee (“verminderingkaart”)**



## 2) Social intervention advisors (first line aid)

- **30 social intervention advisors in 5 provinces within the PES**
- **Role: information for employers and social partners on rules and procedures**
  - **Before social dialogue (providing information)**
  - **During social dialogue: no interventions, only information on request**
  - **After social dialogue**
    - to support with legal procedures
    - to erect and coordination of the employment unit
- **Managing the Social intervention Fund**

# Participation in employment unit & outplacement Flanders 2009



	Employment unit		Of which in outplacement (OP)	Share age group in OP
	n	%	%	%
<45	3.053	51%	76%	46%
45-50	1.090	18%	93%	20%
50+	1.832	31%	95%	34%
all	5.975	100%	85%	100%

Source: PES

# Impact of reform royal decree april 2009 on age structure in employment units: number of participants

	After “generation pact law”/royal decree 2006 2008		After “Economic recovery law”/royal decree 2009 2009	
	n	%	n	%
<45	1.524	35%	3.053	51%
45-50	703	16%	1.090	18%
50+	2.128	49%	1.832	31%

Source: PES

# % of collective dismissed workers found work 6 months after registration with PES



	2008	2009
<45	63%	54%
45-50	62%	55%
50+	24%	27%
50+ (in companies with early retirement)	12%	12%

Source: PES

### 3) Approval of Regional Minister on outplacement offer and activation measures in social plans

- **Screening of outplacement contract:**
  - Number of hours outplacement
  - Good balance individual approach-collective sessions
  - Actions on job placements (not only counselling)
  - Analysis of competences and actions for training
  - Approach towards older workers: informing on employment measures; follow-up of searching behaviour; jobdating/jobhunting; cooperation with all actors necessary
  - Reporting to PES
- **Screening collective agreements (on training budget, preventive measures)**



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**Some observations: based on screenings of 185 firms related to 10.488 blue collar and 6.046 white collar workers (total:16.534).**

- **Shift from counselling towards job placement**
- **Few attention on training in outplacement contracts**
- **Minority of firms do have training budgets (22%) and financial incentives for re-integration (9%)**
- **Extensive use of early retirement for:**
  - **33% of blue collar workers; of which 65% at the age of 50-52 years.**
  - **33% of white collar workers; of which 57% at the age of 50-52 years**

# Number of beneficiaries of early retirement according to age

	<b>2009</b>	<b>2000-2009</b>	<b>2008-2009</b>
	<b>(n)</b>	<b>(%)</b>	<b>(%)</b>
<b>50-54</b>	<b>974</b>	<b>-78,9</b>	<b>-36,8</b>
<b>55-59</b>	<b>26.180</b>	<b>+4,1</b>	<b>-2,6</b>
<b>60+</b>	<b>52.564</b>	<b>+13,9</b>	<b>+5,1</b>
<b>60-</b>	<b>27.154</b>	<b>-8,8</b>	<b>-4,5</b>
<b>total</b>	<b>79.718</b>	<b>+5,1</b>	<b>+1,6</b>



## 4) Social intervention Fund

- **Since decree of 18th may 1999, managed by PES**
- **Aim: Payment of outplacement and support to lay offs after bankruptcy**
  - **Employees working 1 year in firm before bankruptcy**
  - **Bankrupt Self-employed**
  - **Helpers of Bankrupt Self-employed**
- **Payment of outplacement if employer can not pay:**
  - **2.290€/person +57€/person administration cost**
  - **Training budget: 575 €/person (maximum)**
- **Obligation of an employment unit + social plan**
- **2009: 379 dossiers**

# Some conclusions

- **Passive compensations payments take up main part of resources in companies leaving little for reintegration initiatives**
- **Need for more investments in employability (support for internal and external job mobility)**
- **Good results of employment-cells on reintegration *except for older workers* -> several barriers (early retirement; weak guidance/activation; lack competences, lack of job mobility; behaviour of employers)**
- **Public-private mix in outplacement: need for (self)regulation and accountability of private providers (cfr. government subsidies)**
- **Need for impact evaluations.**