



Comparing and evaluating national  
restructuring processes.

Some observations and proposals.

## Contribution to the Mire project

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November 2005*

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**M**onitoring **I**nnovative **R**estructuring in **E**urope

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## Comparing and evaluating national restructuring processes. Some observations and proposals

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Developing European cross – fertilization regarding the management of restructuring make it necessary to choose and present a framework for international comparison and evaluation in these matters. In this contribution, we would like to sketch one in a pragmatic way.

Pragmatic because we do not intend to propose a full-blown system for international comparison of employment trajectories and related public policies; instead, we shall select some well-known theoretical and empirical work in this burgeoning field that proves relevant in the precise case of restructuring, and try to explicit the implications.

Pragmatic again because we shall rely on the studies already done in the MIRE network, focus on the five national cases it explores : Belgium, France, Germany, Sweden and the United Kingdom, and make use of its available draft contributions, either country reports and “leaflets” or comparative assessment<sup>1</sup>. They identify numerous common elements and convergences, but also persisting differences in key domains, and this illustrate the classical challenge of comparing the variety of labour markets and social protection systems across countries.

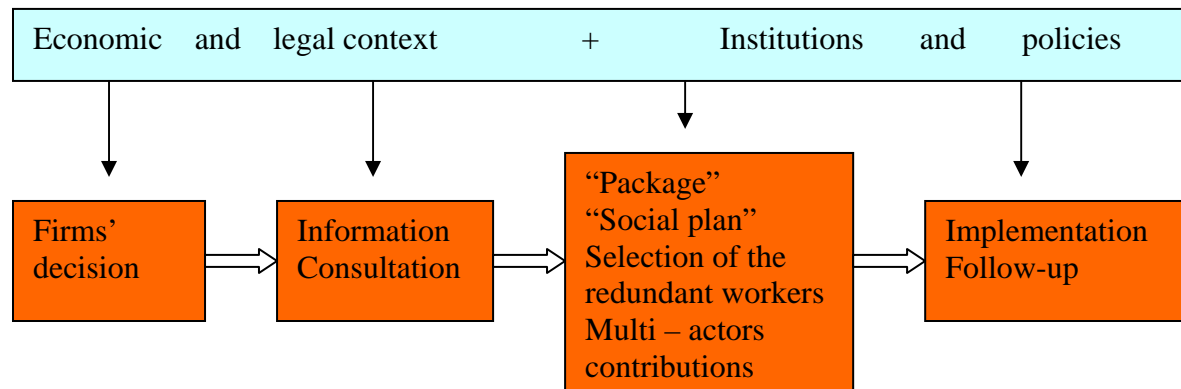
In the work already performed in the MIRE network on restructuring national experiences, most of the material is gathered and organised in a rather well identified object : the mass dismissal *process* and its consequences, obviously depending on similar problems dealt with in different national contexts. We’ll start from it (1), and then try to enlarge the picture by connecting it to different workforce adjustment regimes (2). The basic intuition present here is that in Europe, the very functioning of labour markets may differ from one country to another and induce different room for manoeuvre available to actors and policymakers. Last we’ll briefly consider an evaluation and innovation perspective : given the variety of national trajectories and problems, is it possible to compare outcomes and to identify some innovation prospects ? (3).

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<sup>1</sup> On the comparative assessment, see D. Storrie (2005), « Collective Dismissals in Belgium, France, Germany, Sweden and the UK : Some legal, institutional and policy perspectives », October. Warm thanks to the participants to the MIRE seminar held the 1<sup>st</sup> October 2005 in Paris, who discussed a first version of this contribution and helped to significantly improve it.

## I. PROCESS + CONTEXT : NECESSARY BUT NOT SUFFICIENT

The restructuring process as the basic object of comparison may be presented in this way :



**Chart 1. The mass dismissal process**

Mass dismissals are perceived and managed in most of the developed countries and especially in Europe as a more or less *compelling process*, organized within a more or less detailed and binding *legal framework*, and depending on a more or less *bargained measures set*. They constitute a procedure, a chain of decisions and actions following each other in a compelling order. At each step, the firm may choose among the options available to it, and once made this choice creates a set of rights and obligations for itself and for the workers concerned. This set of rights and obligations is in most situations enriched and implemented through a bargaining sequence with the workers' representatives (the unions of other bodies). Very often, the "package" of measures stemming from the procedure is called a "social plan". However it should be remarked that the notion of social plan may radically differ from one country from another. In Germany it is a bargained outcome, while in France it is a legal obligation controlled by the government.

One important immediate consequence of this procedural identification is that researchers engaged in a comparative study have to check if the elements of the procedure are simply formal or if they entail real obligations whose implementation is effectively controlled.

One has at least three gaps to consider between the formal and real aspects :

- the size of the protection area : who are the workers covered and not covered ? in many countries, persons employed by the dismissing firm on a short-term basis (short-term contract) are excluded from the process and from the rights and guaranties it entails;
- the distance between a legal or bargained decision and its real implementation, possibly including informal arrangements. This could has positive as well as negative consequences for the workers. Some workers potentially concerned may be left out of

- the “social plan”, for example workers choosing in a more or less voluntary way to quit the firm (and this possibility overlaps with the first one); in Sweden it is possible to deviate from the law if it results from an agreement reached by social partners;
- the distance between official long term objectives and the final results : in most countries the long-term target is the reintegration into work of most of the workers, and an effective income protection; the effective process may end in severe income losses and a low rate of placement.

This representation seems of course over – simplistic. It leaves aside many very important elements, such as the determinants of the firms’ initial decision to dismiss, and other processes, such as the influence of important local actors, should also be taken into account. But it may be used as a starting point. It has the advantage of isolating a highly visible common object, and suggest to analyse it in two steps : first the legal and bargained aspects, then the whole set of interactions affecting the fate of the concerned workers. So it involves a quite demanding research agenda.

However, one weakness of this two steps enlarging approach is its postulated functional universality. The process seems to be a functional answer to the challenges stemming from globalisation and the rise of the financial power of shareholders, - and, more specifically, from the recent extension of the European Union, opening up new areas of competition between workers. So the legal and institutional context may reflect cultural differences and constraints, but they seem to affect from the outside the process itself. This perspective, even if it seems quite encompassing, may reveal itself as too narrow.

One interesting stylised fact is the result of international comparative research regarding the overall restructuring adjustments that has been recently summarized by the OECD<sup>2</sup> comparing the USA and the E.U. – 15 between 1979 and 1999 : in the manufacturing sector, the percentage of displaced workers having found a new job within two years is 64,8 % for the USA and only 57 % in the E.U. But when one looks at the earning losses between the previous job and the new one, the figures are very different : on average, the earning loss is -12,1 % for the USA, and – 0,1 % for the E.U.

One may interpret these figures as OECD study does, by saying that the social choices differ on each side of the Atlantic Ocean : in the USA the collective preferences go to jobs and they admit wage losses, and in Europe the collective preferences go to wage stability and they admit long spells of unemployment. But is Europe as homogeneous as the USA regarding manufacturing trajectories, and where do these “preferences” come from ?

Another hypothesis is that the role of wage adjustment may differ across countries or groups of countries (even more than across continents), reflecting different ways of functioning of national labour markets and leading to different restructuring challenges and opportunities. Typically, if the wage adjustment is important and well accepted by firms and by individuals in a given society, then the role of individual initiatives and individual mobility may be underlined and easily encouraged, and we logically arrive at short/small processes of restructuring, insisting of severance pay. The reverse may hold if the role of wage adjustment is limited : individual initiatives and mobility may become less easy to develop, and a long and more demanding collective process may be in order. So the influence of the “context”

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<sup>2</sup> OECD, study on restructuring adjustments presented in *Liaisons Sociales / Magazine*, September, p. 38  
(Original reference to be checked !)

becomes active : it may shape the process itself and cannot be reduced at an external influence.

This discussion may be of importance if one tries to identify and diffuse “good practices”. They can make sense in a society dominated by a given logic and may become less relevant or even counter – productive if one attempts at directly importing them in another situation.

**II. CONSIDERING DIFFERENT WORKFORCE ADJUSTMENT REGIMES**

a) behind explicit aims

The first thing to do is to take some distance from the too simple functionalist view implicit in our previous section. One should distinguish here at least explicit aims and latent functions. Some key examples are shown in table 1 below, distinguishing the firm’s level and the society’s level and furthering our discussion :

	Explicit aims	Latent functions
Firm’s level	Firm’s commitments; Social responsibility	Paying for social peace and good reputation
Society’s level	Placement and reintegration; Income protection of the unemployable redundant workers	Paying for social peace; Different workforce adjustments in different functionings of the labour market

**Table 1. Restructuring targets : from explicit aims to latent functions**

So traditional objectives may be present in official and non official statements, and detailed in public and private policies, but replaced in real implementation by other targets deriving from the interplay of existing institutions, past behaviour and opportunity sets available to actors.

This may be easily the case regarding restructuring trajectories because they always entail a dispersion logic : workers initially considered as “insiders” end up in the position of “outsiders” as are other unemployed persons if they do not find another job within the time span commonly fixed by reintegration policies, typically two years. Some replacement policies may end in a very specific (and undesirable) manner : organising trajectories transforming some hard-to-place insiders into ordinary unemployed persons, then discouraging them and leading them to inactivity. While this can hardly be considered as a success, such outcome does possess some functional dimension, eliminating low-skilled workforce perceived as redundant, while preserving to some extent social peace.

## b) three sources of inspiration

The intuition that there exist very different ways of organising the labour force mobility and the labour market adjustments has been made and refined in many well-known comparative studies. We shall briefly evoke here three of the most influent ones and illustrate some consequences for the problem of mass dismissals.

At the end of the 70s, some French researchers in labour economics and sociology, and industrial relations, worked out a comparison of workers allocation and mobility between France and Germany, identified systematic differences and proposed to term them the “*societal effect*”<sup>3</sup>. While they did not give a short definition of this concept, it may be defined as the systematic differences across two countries in the ways of (i) producing, (ii) using and (iii) paying the workforce. Briefly put, their approach was based on in-depth case study comparisons combined with a more global assessment in the field of workers mobility and earnings. They selected a few number of plants in the industry sector, with the same product and the same economic performance in both countries. They started from a spectacular stylised fact : the average ratio of earnings for rank and file workers compared to high skilled executives was one to two in Germany and one to three in France. They connected this to the rather good level of basic technical education in Germany (obtained through the apprenticeship system), inducing a much lesser hierarchical distance among workers than in France, where the basic workers had little initial technical training and the high-level workers were coming from a separate elitist path. This difference was also reflected in the mobility patterns in both countries, France being dominated by the “internal labour markets” with little transferability while the mobility in Germany is organised through “professional labour markets”. The key point was the interlocking of different sets of institutions creating specific “mobility spaces” and inducing different behaviours. The intuition was that societal coherence was strong, each part of the system reinforcing the others. While this comparison was bilateral and mainly static, some efforts were devoted to enlarge the perspective by introducing other countries (notably Japan, characterized by the polyvalence of workers and the continuous upgrading and adaptation of skills) and to introduce dynamic concerns and some evolution. We shall return later to this point.

Initially these “societal” differences were not confronted with the problem of redundant workers. Ulterior works by the same authors and by others showed that within some boundaries, the adaptation capacity of Germany was better, because if growth is slowing down then the typical behaviour of French firms is to stop recruiting and promoting workers. Most of dismissed workers are without transferable skills, so they are trapped into unemployment or constrained to a radical reorientation, while in Germany the apprenticeship system may prove more elastic, slowly change the initial skills possessed by the young workers and absorb part of the excess workforce. However, in the long term with more pressures towards mass restructuring, this advantage is fading out because radical retraining is easier in France than in Germany, the German workers “sticking” to their initial diploma and identity, and suffering for a insufficient level of general education<sup>4</sup>.

A second, more recent work to consider here is the well-known analysis of the “three worlds of welfare capitalism” by G. Esping – Andersen<sup>5</sup>. The topic addressed is quite

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<sup>3</sup> M. Maurice, F. Sellier and J.J. Silvestre, *Politiques d'éducation et organisation industrielle en France et en Allemagne*, Presses Universitaires de France, 1978

<sup>4</sup> J.P. Géhin et P. Méhaut, *Apprentissage et formation continue en France et en Allemagne*, L'Harmattan 1993

<sup>5</sup> G. Esping – Andersen, *The three worlds of welfare capitalism*, Oxford U. Press 1990

different, and wider. Esping – Andersen focuses on the interplay between markets and social protection regimes. His typology distinguishes the “universalistic” models and the “corporatist” models of social protection. The first rely on taxes while the second connects most of the social protection to the integration into stable jobs. In this last case, workers and employers finance social protection through social levies while being employed gives access to most of the social rights, for the worker as well as for his family. A further distinction is made between the anglo - saxon universalistic regime, where people pay little and receive little, and the Nordic system where the reverse occurs : people pay much through high taxes, but also receive much : numerous and well- developed social services, and generous transfers payments.

A key aspect in Esping – Andersen work is the place given (or left) to the market relationships. Developing a generous network of social services is tantamount to limiting the space given to market adjustments, and this is termed “de – commodification”. De-commodification occurs mainly in the Nordic regime, but also in the “corporatist” regimes (or “continental”, this situation being typical of France and Germany). In the anglo – saxon type, the place given to market relationships is much more important and even dominating.

This typology has been widely used and criticized, one of its consequences being the unstable character of the “corporatist” arrangements, somehow intermediate between the two “universalistic” regimes. They are deemed so because they leave aside some ill-integrated workers and then suffer from a weak legitimacy. This has been challenged, e.g. by observing that many “universalistic” traits have been introduced in these social protection systems, notably financing through taxes. And here again the dynamic aspects remain to be developed, most of the recent changes being summed up by the idea of “re – commodification”, it may seem that any regime is slowly converging towards the anglo – saxon” one, while much evidence shows persisting differences.

Regarding mass dismissals, the consequence is that they further weaken the legitimacy and functioning of the “corporatist” systems because they shrink their financing basis at the precise moment when more needs appear. A possible consequence is that in these systems the gaps between official objectives and implicit targets may be wider than elsewhere, because the protection is in fact reserved to initially stable workers, and fading with time.

A last comparative work conceptualising the varieties of capitalism is the book recently written by Bruno Amable<sup>6</sup>. In some ways, this study trying to identify five national types of capitalism encompasses a wider set of elements because it focuses on the interplay between innovation processes and the workforce management. We find again the distinction between anglo – saxon, continental and Nordic capitalisms, completed by a Japanese capitalism and a Mediterranean one. These identifications may seem quite deceiving, because they rely on traditional types and simply term them from a geographical standpoint. However, the originality of Amable’s analysis is twofold. First, he introduces differences in innovation policies and financing in the comparative basis, and show how they interact with the initial and further training of the workforce. This gives to the “societal effect” intuition a dynamic content. Second, he insists on weak rather than of strong complementarities between the different components of each type of capitalism, and this may prove more realistic.

Although there is no explicit analysis of restructuring in this book, one may think that the consequence of such a perspective on this topic is its connection to the general adaptability

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<sup>6</sup> B. Amable, *Les cinq capitalismes*, Editions du Seuil, 2005

of the workforce and of the production and innovation system, inducing different policy opportunities : a well – trained, well - protected and homogeneous workforce like in the Nordic types of capitalism is easier to reorient and to retrain, while countries belonging to the type of “continental” capitalisms may suffer from adaptability problems leading to long – term visible unemployment of displaced workers, or to subsidized inactivity (early retirement). Liberal “Anglo – saxon” regimes may “activate” labour market policies with the probable consequence of pushing displaced workers into less – paying jobs or into unsubsidised inactivity.

From this very short review, we may keep in mind that comparative research is becoming at the same time more ambitious and more modest. The field of relevant interlocking institutions and processes revealed itself as enormous, and cannot be limited to employment relationships nor to the labour market – social protection nexus : it involves innovation policies and financing systems as well as the modalities in state intervention. The consequence is that we are obliged to postulate only a *weak coherence*, and pay attention to *heterogeneities* as well as to *time dependency*. A key example here is the German apprenticeship system, which may alternatively viewed as a “good practice”, a limited arrangement and even as a source of rigidity, and either a central part of a model or a secondary trait... It must be recalled that the German apprenticeship system is today a dated and even ageing institution, which had its time of maximum influence during the sixties, when its expansion made it the dominating way of integrating the workforce in a very different context regarding employment prospects and practices. If so, it may be easily understood that the “societal effect” authors could identify a strong German coherence around it, and that today, while acknowledging its persisting importance, this institution should be reinterpreted and integrated into a wider and evolving, possibly more heterogeneous and hostile context.

We main also retain from this presentation that today the involvement of the state and its public policies in the regulation of the labour market is a necessary ingredient of any comparison, much beyond the organisation of initial training and the mere management of the consequences of the existence of internal or professional labour markets.

### c) a provisional grid

Taking stock of these discussions does not lead to take into account this enormous range of determinants, but rather to select some key components keeping in mind that they interact in a field open to many other influences. This also leaves some additional room for actors’ interventions and innovations, see below.

We propose here to re – interpret the above mentioned OECD stylised fact by distinguishing in a more systematic way different “workforce adjustment regimes”, relying more or less on market adjustments. A support to this task is of course the material and interpretations presented above, because they suggest that the degree of “commodification” of the labour market may differ across countries in connection with other elements such as social protection systems, etc. Another stylised fact, the recent evidence analysed about “wage compression” by Gilles Mourre<sup>7</sup>, allows to pinpoint the role of wages. By wage compression,

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<sup>7</sup> Gilles Mourre (2005), « Wage compression and employment in Europe : First evidence for the structure of earnings survey 2002 », *European Economy. Economic Papers*, n° 232, September, 30 p., European Commission. G. Mourre belongs to the Directorate General for Economic and Financial Affairs.



it is meant that the difference in productivity across workers is only partly reflected in the difference in wages. This wage compression occurs both across occupations and levels of education. This article shows “robust evidence” giving support to the view that there is compressed wage distribution in Europe, and most interestingly shows that this mainly occurs in continental and southern countries of Europe, while no compression is detected in Anglo – Saxon countries, and mixed evidence is found in Nordic countries. It is quite easy to remark that countries with no wage compression possess few institutions or mechanisms designed for correcting wage inequalities in a more egalitarian orientation. They admit more wage inequality and leave more room to wage adjustment. The little puzzle of the mixed evidence in the Nordic countries is easily solved if one considers that the workforce in these countries is much more homogeneous and trained than in any other country. So they are egalitarian and do possess egalitarian wage distributions, but they need little additional compression to achieve this result.

In our presentation, we select two main components and two main processes.

The two main components are related to the large or small role given to decentralised wage adjustment : (i) a situation with no wage compression, little policy intervention relying on strong individual mobility, opposed to a situation with important or mixed wage compression, important non-wage adjustments such as public labour market policies, strong income support, and organised moves in quantities and qualities; (ii) a situation with little structuring effects of internal/professional labour markets with a situation largely structured by these ways or organising the workforce circulation inside firms and across firms.

Such distinctions may help to understand why common challenges and pressures, and even common formal procedures may lead to partly parallel and partly diverging responses across countries.

The two main process we would like to introduce are first the classical evolutionary concepts of “path dependency” and “lock-in”. If you have developed internal labour markets without transferable skills and without retraining activities, this may lead to an intensive use of early retirement policies, progressively seen as a right by the concerned workers. So both elements are reinforcing each other, and once installed, it is difficult and costly to deviate from this trajectory.

The second process is the search for “functional equivalents” and “hybrid solutions”. This stems from the weak coherence and heterogeneity pinpointed above. This could be relevant for explicit aims as well as for latent functions. A basic example is the well-known “layoff and recall” system existing in the USA for some protected workers, performing the same functions as a well-developed income protection and reintegration policy in the European “continental” or “Nordic” way.

Taken together, both processes suggest that a national situation at a given point of time is not a deterministic outcome but is a dated one, depending on past decisions and existing institutions, with room for change.

The chart 2 illustrate the argument by presenting national situations within a two-dimension space : main adjustment channels and size of public intervention on the labour market.

Main adjustment channels Role of Labour market pol.	Wage and labour costs (Predominance of External L.M)	Work and workers volume (Predominance of Internal L.M...) (..of Profes	Work and workers quality sional L.M)
Limited role	Market – led regimes UK  Dominant measure : Severance Pay Control focus : Discrimination		
Strong role		Administered regimes FR BE  Dominant measure : Early retirement Control focus : Justifications of the dismissal decision; Social Plan	Negotiated regimes GE SW  Dominant measure : Coaching with collective support Control focus : negotiation

**Chart 2 : Restructuring and workforce adjustment regimes for five European countries (turn of the century)**

In red, the dominant measure in the restructuring process; in blue, the dominant field of public control and collective involvement.

UK = United Kingdom, FR = France, BE = Belgium, GE = Germany, SW = Sweden

A few comments are necessary in order to make explicit what this chart means and what it does not mean.

Identifying “main adjustment channels” is simply considering that in any market three classes of variable interact : prices, quantities and qualities. In the case of labour markets, prices are wages, quantities are the number of available workers / hours offered, and the number of job vacancies / hours demanded by firms. Of course there always some interaction between the three classes. The hypothesis here, backed by the above considerations about different training systems and efforts, different workers protection regimes either into firms or in social protection systems is that one class of variable is at the period considered dominating the adjustment. A good illustration of this is the role of policies shortening the weekly working time (typically a public intervention about volumes), important in France, Belgium and Germany, and rejected or secondary in other countries.

There is no need to explain that public intervention (Labour Market Policies - LMP) may remain modest or be developed. However, it should be said that the normal case is either

a strong role given to decentralised wage adjustments, coherent with a limited role for LMP, or a strong role given to quantity and quality adjustments, then logically the role for LMP becomes larger. But there is a possible case : persisting role for LMP together with more importance given to wage adjustments : this could become the case of France, intensively experiencing “administrated flexibility”, insisting more and more on wage subsidies and wage incentives and progressively dismantling the traditional Employment Protection Laws (EPL).

So to each “regime” we associate a dominant measure and a dominant focus of the public control and collective involvement in the restructuring process. In a decentralised wage adjustment culture, it is natural that severance payments may sum up the firm’s participation to the dismissal “social” component, while the public and collective control focus on discrimination, the worst sin in a market – oriented economy. This last focus is becoming quite constraining in UK as well as in the USA. When the volume adjustments dominate, then early retirement is the equivalent of the shortening of working time for the workers affected by mass dismissals, because the seniority culture and ranking stem from the importance of traditional “Internal” or “professional” Labour Markets”, so dismissed workers are predominantly older workers. The collective control focus is two-sided : the mere legitimacy of the dismissing decision may be questioned and sometimes evaluated by judges; and the content of the social plan in terms of job proposals, training, etc., becomes a state concern. Last, regarding the “negotiated regimes”, they leave little room again to wage adjustments but they do not rely on volume adjustments, rather they rely on a general high level of training, so they are able to propose intensive coaching to displaced workers, together with collective support such as temporary work positions, stemming from state and social partners interventions yielding an acceptable level of job opportunities. Collective bargaining is a central trait of this regime. It is either coherent with the importance of the social partners’ management of “professional labour markets” as in Germany (a country sharing also elements of the administered regime), or simply coherent with the highly “solidaristic” tradition of the Nordic countries.

Three main limits should be kept in mind. First, this chart is obviously incomplete and static, and is not able to present the whole span of moves available to a given country. For example, important efforts in UK may lead to a growing importance of adjustments through training, and this cannot easily be represented here. It says nothing about the content or modalities of Labour Market Policies, and this could be a handicap if we consider the importance of the balance between “active” and “passive” components and the ongoing strongly diversified tendencies towards “activation”.

Second limit : it does not consider the various channels of firms’ development and activity creation. The labour market has been sometimes, and rightly, presented as a market under influence : it depends on growth pace and macroeconomic performances and policies, on productive specialisation choices, on innovation policies, on the presence, nature and importance of a non – profit sector. All these elements are left out

Third, it minimizes or even ignores the role of actors in the process, and we shall return to this point.

However, it suggests that while the restructuring process today roughly possesses the same components in each European country (this resulting from a clear tendency to “proceduralisation”), they may be of quite different importance and may be combined in different ways with different explicit (or implicit) priorities. So the final results could be quite different, and the ways of action and innovation too. We now turn to this question.

### III. EVALUATION, ROOM FOR MANOEUVRE AND INNOVATION

a) From a narrow evaluation technique to an enlarged “target – oriented evaluation” appropriated by actors

If the above presentation is relevant, it entails some consequences regarding the international comparison task and the evaluation perspective which should be adopted. The key point is that very often one must not evaluate a separate device but must consider the interplay of many policies and mechanisms and one or even several logics of action. This means that the traditional evaluation comparing inputs and outputs for a given policy, itself considered as a “black box” is no longer adapted. We have to consider a more complex picture, a multiplicity of determinants and decisions. This may lead to adopt a “target-oriented evaluation” perspective<sup>8</sup>, with two main consequences.

(i) the need for intermediate criteria. In such a context, the traditional final criteria (number of persons back to stable jobs, earning losses or gains, level of poverty and exclusion) of course remain relevant but they cannot stand alone because they do not give usable information about the causes for success or failure, nor on the ways for improving the policy. It may be added that they often come too late and they are hard to obtain. They must be complemented by intermediate criteria, that are first criteria of internal and external coherence : one has most often to consider a package of measures (and then get into the “black box”), and its connection to other available policies. Other intermediate criteria are the range of opportunities given to individuals, firms and communities, improving their adaptation capacity : support to bargained mobility, available strategic options...

(ii) the initiative and appropriation of concerned actors becomes crucial. In this complex interaction on institutions, policies, financings... decentralised management becomes essential, and it cannot be achieved without shifting important decision powers to local actors. A question comes to the forefront : are all the potentially relevant actors present, able to contribute and to interact ? it depends on the bargaining structure and area, and on the information channels and decision circuits.

A good example of intermediary criteria set up in a closely related perspective are the four criteria for organising good “transitions” in the “Transitional Labour Market” approach<sup>9</sup>. Space is lacking here for presenting this approach. Let us simply say that it focuses on the whole interplay of “transitions” in and around the labour market (“transitions” being any sequence in a personal and professional career) and suggests that it deserves a systematic and bargained – decentralised management. This encompassing perspective reintegrates the trajectories of dismissed workers into a wider set of mobilities, including parental leaves, etc., and the policies influencing them into a wider set of policies and decisions.

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<sup>8</sup> As presented in G. Schmid, K. Schömann and J. O’Reilly, “Theory and Methodology of Labour Market Policy and Evaluation: An Introduction”, in G. Schmid, K. Schömann and J. O’Reilly (eds), *International Handbook of Labour Market Policy and Evaluation*, Edward Elgar 1996, pp 1 - 33

<sup>9</sup> For a global presentation of this approach, see G. Schmid and B. Gazier (eds), *The Dynamics of Full Employment. Social Inclusion Through Transitional Labour Markets*, Edward Elgar 2002.

The first criterium of a good “transition” is “empowerment” : transitions must be managed in such a way that individuals gain increased power over their life and work trajectory.

The second is solidarity : it is a constant trait of unemployment insurance that the “good” risks (stable and skilled workers) pay for the “bad” ones (precarious and low-skilled workers) in a single unemployment insurance programme. The reason is that the latter, the most in need for an unemployment insurance, are unable to build it alone. The same line of reasoning applies to the management of all transitions.

The third is the sharing of responsibilities. Co-financing is a priority wherever possible, in order to develop incentives for every stakeholder.

The fourth is the search for efficiency through decentralised management by objectives.

It may be underlined that these criteria also are close to the work and proposals of Amartya Sen, insisting on “capabilities” and entitlements.

An application of this approach and these criteria has been made in the case of restructuring, by comparing two typified restructuring processes, one being a “black scenario” sometimes occurring in traditional plant closings in France and the second being a much more positive one occurring in Austria in the case of the Austrian Work Foundations<sup>10</sup>. The first may be presented shortly as combining a late notification, an unilateral sorting out of less productive workers, followed by the protests of these stigmatised population, then by some compensating policy interventions, the whole leading to bad replacement performances. On the other side, early notice goes with a long –term commitment of the firm in the outplacement on volunteers, backed by a strong financial contribution of these motivated workers and by a symbolic but concrete financial contribution of the workers remaining into the dismissing firm. While this opposition is quite caricatured, it helps to identify some of the key problems of restructuring. But is it useful and possible to simply propose that the Austrian “good practice” should be generalised<sup>11</sup> ? Two important conditions need to be met in order to develop the Austrian arrangement : a good level of local bargaining with well – implanted unions, and workers with a quite high level of transferable skills, then able and willing to be mobile. So the question could be reformulated : if the national contexts impede a direct import, what could be the functional equivalents and how could the obstacles to their implementation be overcome ? we are led to distinguish between different kinds of changes.

#### b) three kinds of change between routine and innovation

If now we go back to our “workforce adjustment regimes”, we observe that existing arrangements obviously are under pressure with new challenges, as it is the case in Europe today with the interplay of globalisation (the rise of China and India, etc.) and of enlargement (the so-called European “mini-globalisation” and the opening of competition for low-cost firms from eastern Europe). Taking seriously the idea of various regimes leads to distinguish at least three kinds of change and possible innovations.

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<sup>10</sup> See B. Gazier, « Marchés Transitionnels du Travail et restructurations : vers une gestion collective des transitions », *Revue de l'IREES*, n° 47, 2005, pp 301 - 317 (in french) ; an interesting evaluation has been conducted by R. Winter – Ebmer (2001), « Evaluating an Innovative Redundancy – Retraining Project : the Austrian Steel Foundation », *Discussion Paper* n° 277, IZA.

<sup>11</sup> For a preliminary reflection on this issue, see B. Gazier, “Restructurations : jalons vers une gestion “transitionnelle””, 2006, forthcoming in J. Allouche and J. Freiche (eds), *Regards croisés sur les restructurations d'entreprises*

The first may be considered as a change but not as an innovation. It may be termed routine adjustment. It occurs when the actors stay inside the relative existing coherence or compromise between some logics of action, and simply try to accommodate/ sustain the consequences. For example, when waves of restructuring lead to multiply “social plans” with little attention paid to their real impact, probably becoming less and less efficient.

The second kind of change remains inside the existing logic or compromise, and consists in reinforcing the core part of the process, its strongest and meaningful component. For example, in a context of strong union implication, reinforcing advance warning and create new tools for negotiation. This is innovation inside the regime.

The third kind of change is an innovation breaking the coherence of the existing arrangements and introducing, through a new element, a new logic. This change may be incremental or radical if it ends up in changing the basic rules of the game. It was the case when the French government chose in 1986 to stop the administrative control over the collective dismissing decision, even if many elements of administrative/judiciary control remain active today. This may be costly, either directly (possible new expenditures; arrival of new losers needing help and compensation...), or indirectly (looking for a new relative coherence, adjusting other programmes, curbing habits...).

These distinctions may be helpful within the “weak coherence” perspective evoked above, because they allow to indicate which room for manoeuvre exists for concerned actors, who may combine different tools from different perspective and go towards “hybrid appropriation”. By this term, we mean a way of managing weak coherence by combining heterogeneous arrangements, the actors transforming the imported tools and adapting them to their needs. The tools may then acquire a new meaning and a new way of functioning, more or less stable and more or less easy to obtain and sustain.

So we may go back to the import of good practices. We can consider the ongoing tendencies towards more and more negotiation and agreements at the firm’s level<sup>12</sup>. This is a consequence of the “procedural” trend already identified (some freedom left to social partners within a common legal and formal framework), and is not always an unmixed blessing. In the case of restructuring, this may reinforce some negative and strongly inegalitarian or even excluding tendencies in the “continental” regimes: this opens the way for strong disparities among agreements or among SME and big firms and may leave aside many workers. These tendencies could be more easily tackled and compensated in “universalistic” countries. The market – oriented regimes may simply rely on taxes, labour market flexibility and limited general policy interventions. The case of Nordic countries is more interesting here. Sweden has adopted, as an incremental innovation, a tool for managing the problem of excluded workers : branch agreements creating “Job security foundations” associating a host of actors and intended to manage the transitions of *any* displaced worker in a given branch/sector. This tool could be introduced in the continental countries, helping them to mitigate the excluding effects of some arrangements, much beyond the question of taking into account workers with short – term contracts. However, this supposes to overcome the tendency towards decentralised bargaining and towards rising differences between firms and between workers; a new social compact should be the political perspective : this would become a radical innovation, probably needing other components in order to become effective and not remain

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<sup>12</sup> This example was suggested to me by Frédéric Bruggeman.

formal. Which components ? this would depend on national and maybe regional cases, and identifying them would be the task of local and informed actors.