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Managing Restructuring in Germany

PRESIDENCY CONFERENCE

*Anticipating and managing restructuring in a
socially responsible way*

New partnerships to preserve employment

18/19 October 2010

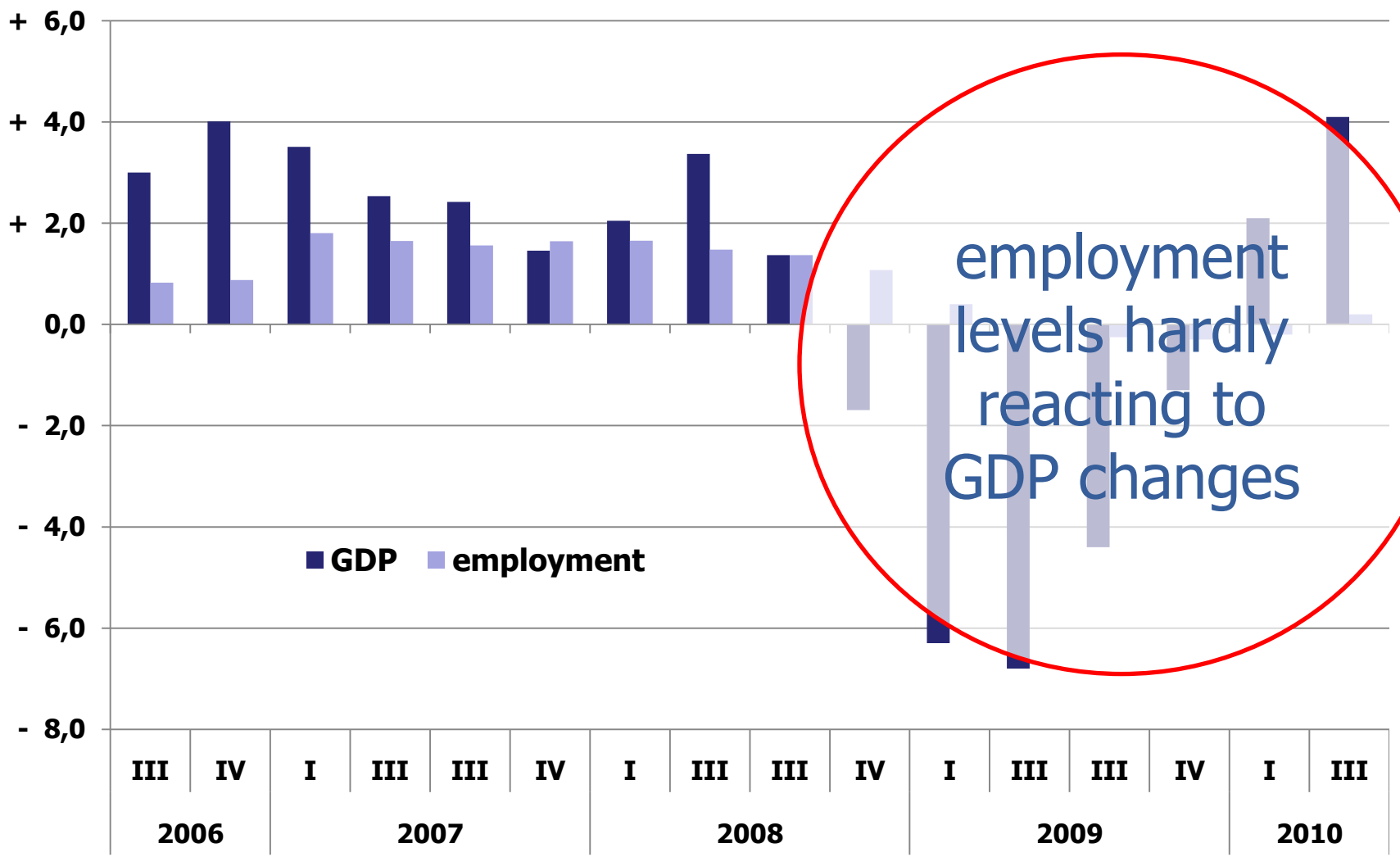
Brussels

Self-presentation

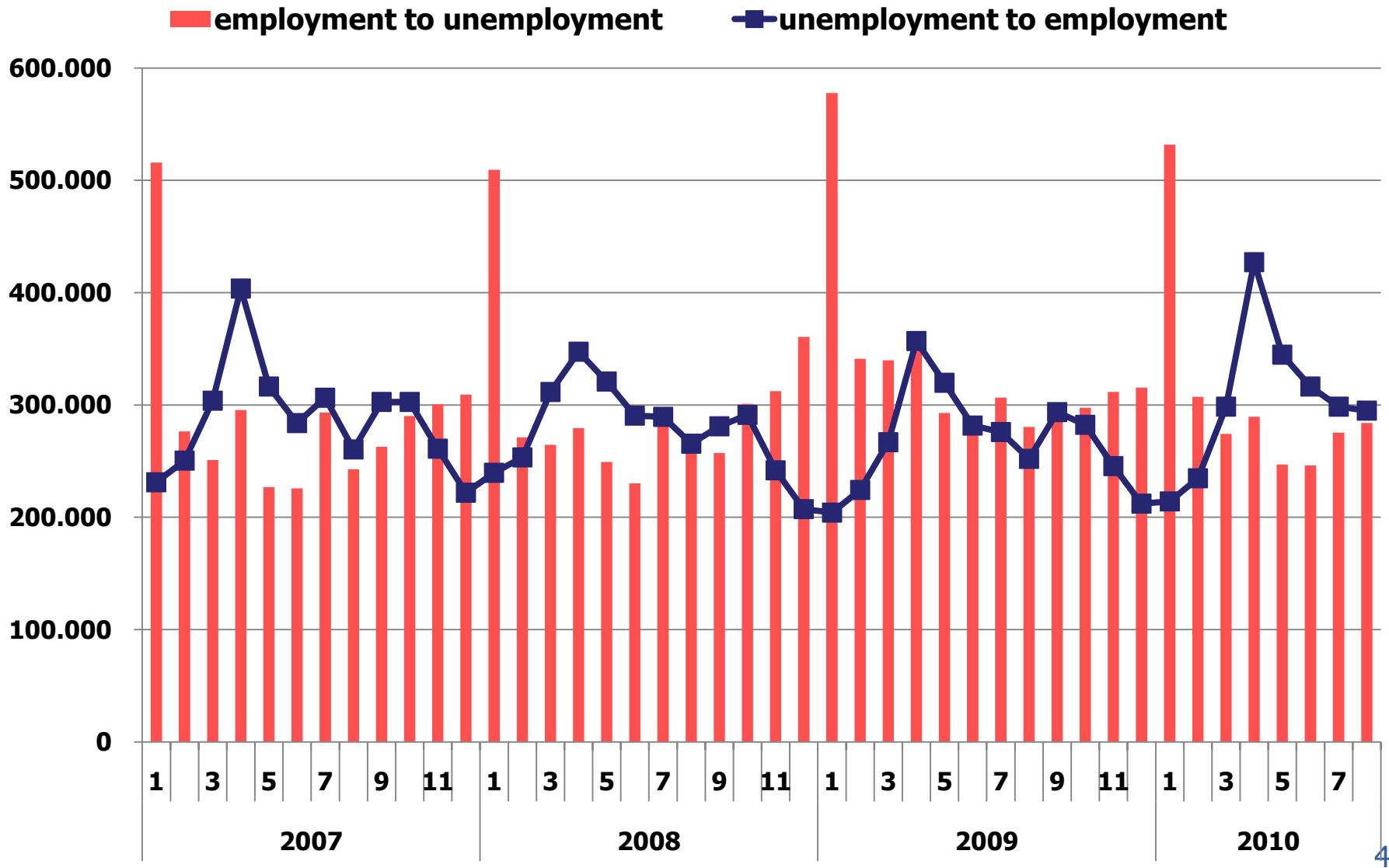
- head of department at Institute for Work, Skills and Training and associate professor at University of Duisburg-Essen
- research on restructuring and active labour market policy in the East German transformation period
- 1991-1993 Vice Chairman of the supervisory board of a state-owned East German cold rolling mill to be privatised - still existing
- 1998-2001 evaluation of job transfer schemes in Germany
- 2005-2008 European Project "Monitoring Innovative Restructuring in Europe" (MIRE)
- 2009 article in handbook on job transfer schemes
- 2010 National Background Paper for "27 Seminars"
- 2010 expert to Parliamentary Committee hearing on legislation regarding active labour market policy instruments supporting the management of restructuring



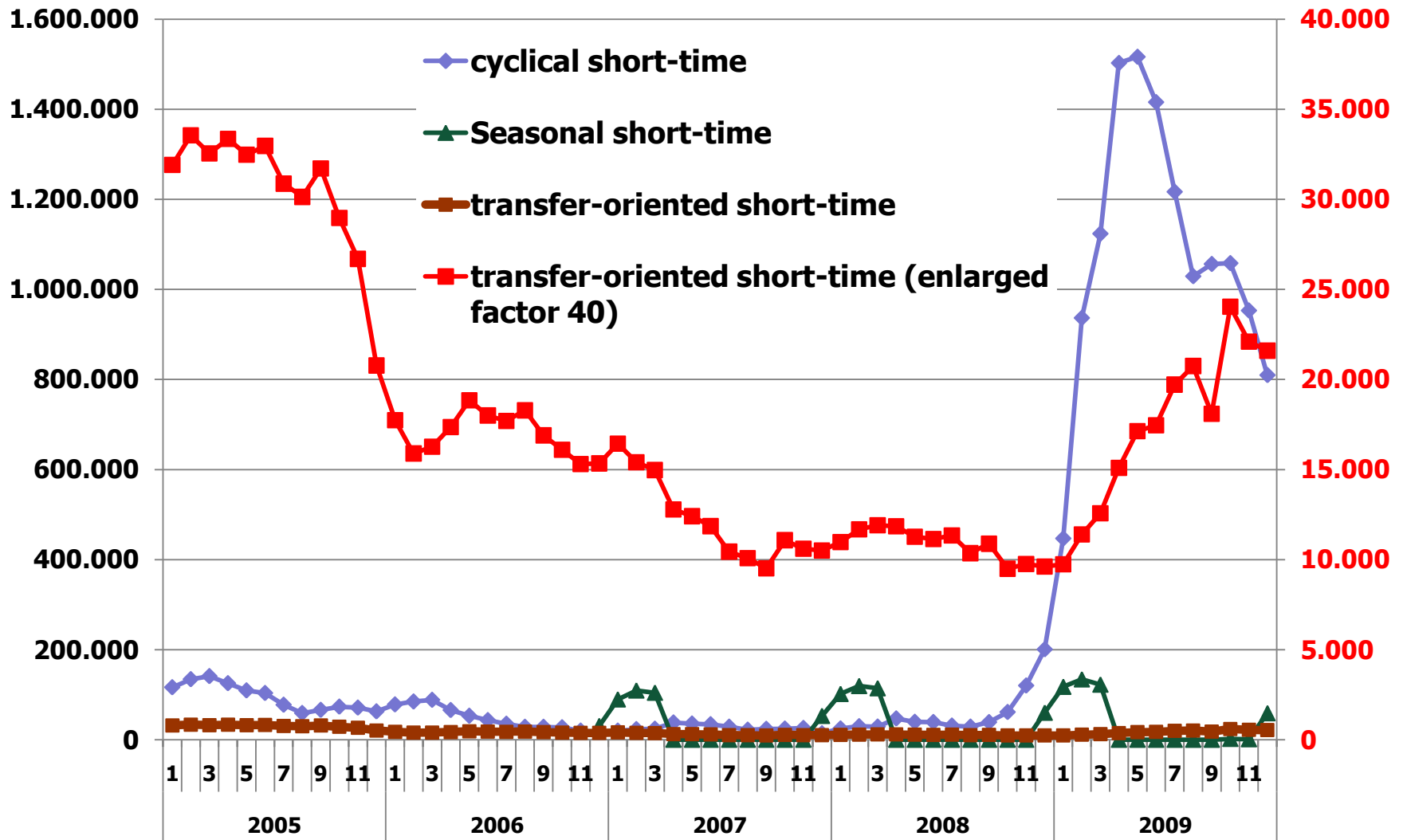
GDP (price adjusted) and employment 2006-2010 (percentage changes against same quarter of previous year)



Monthly flows between employment and unemployment



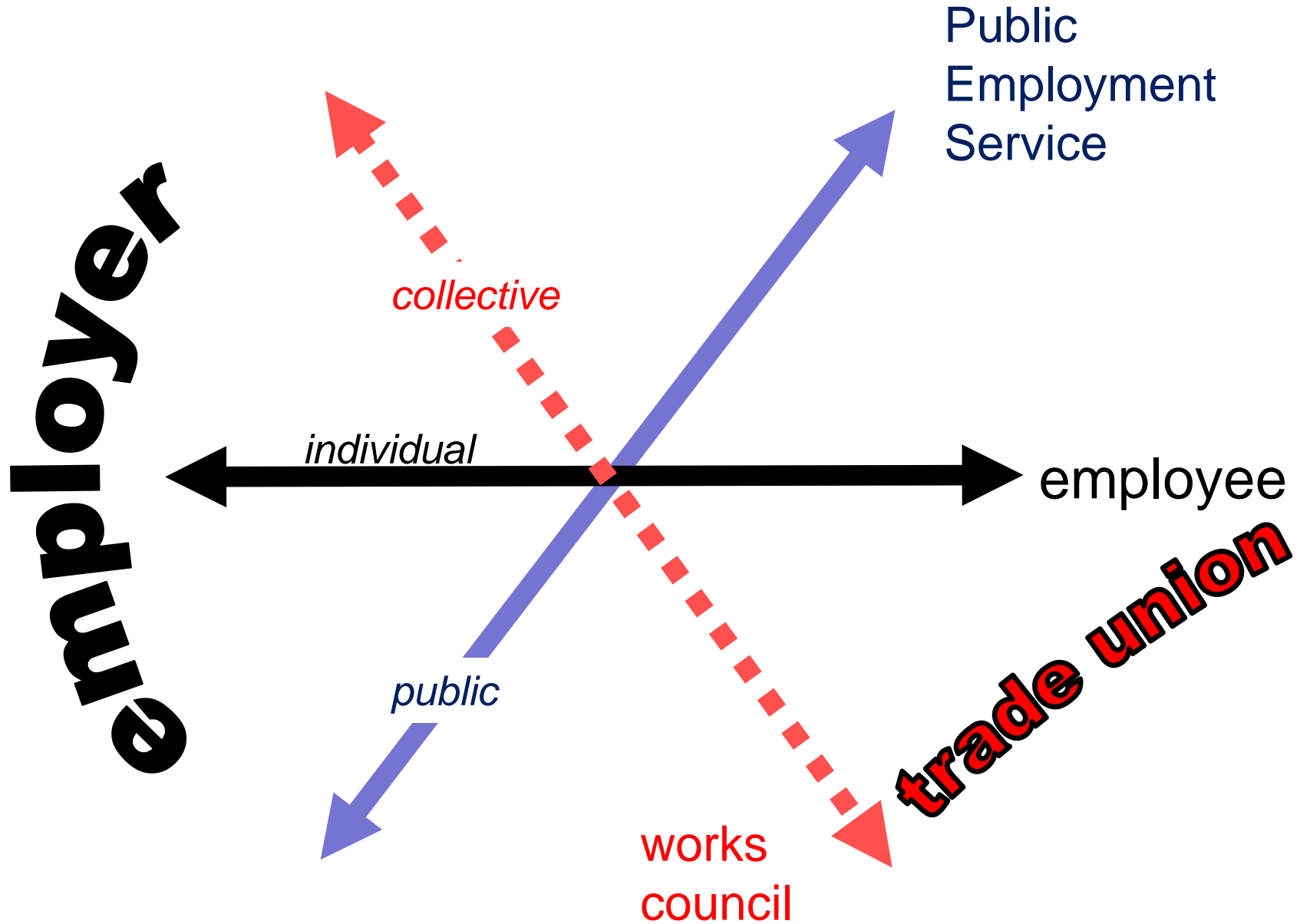
Recipients of short-time working allowances

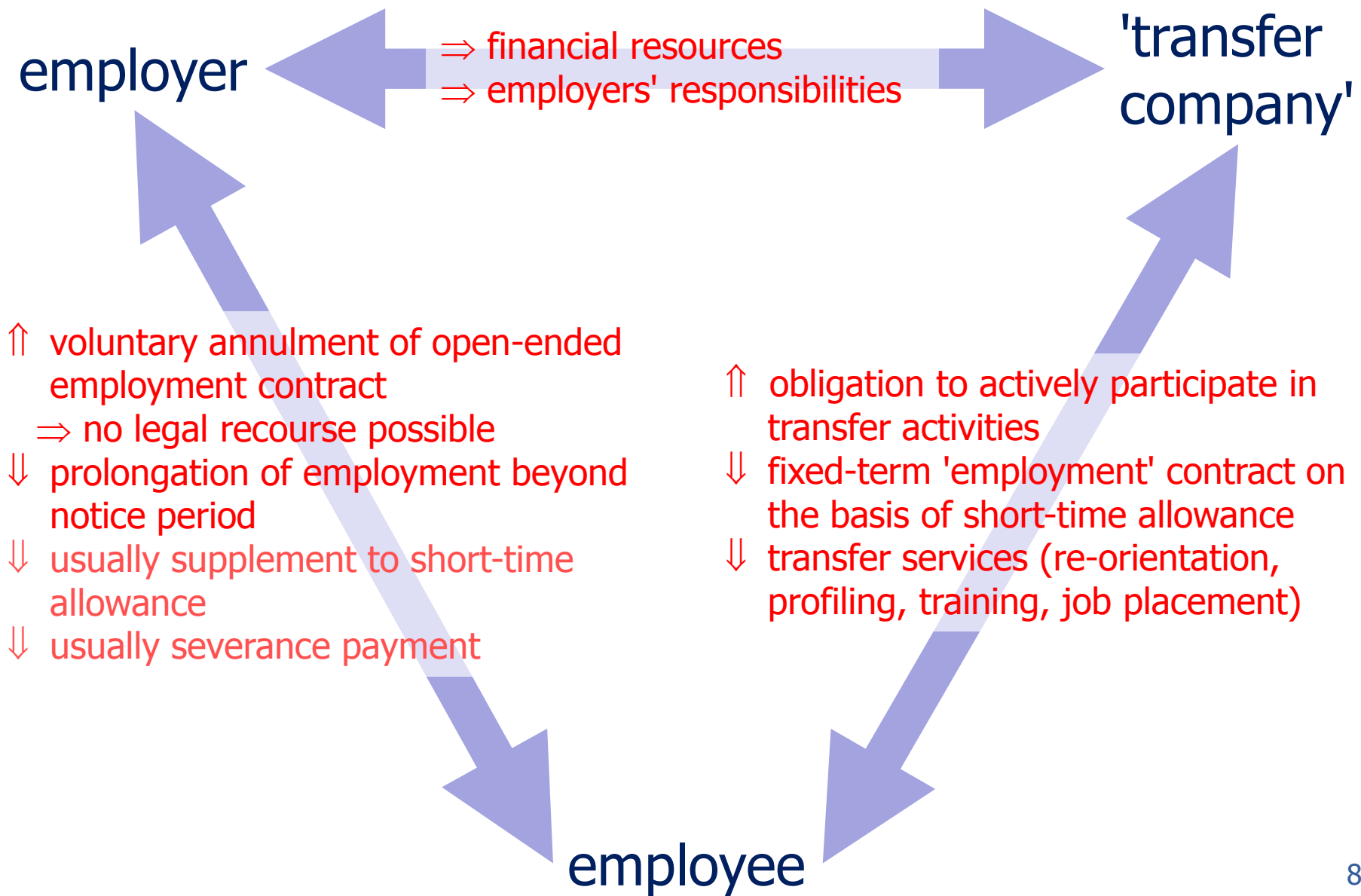


Stability and complacency

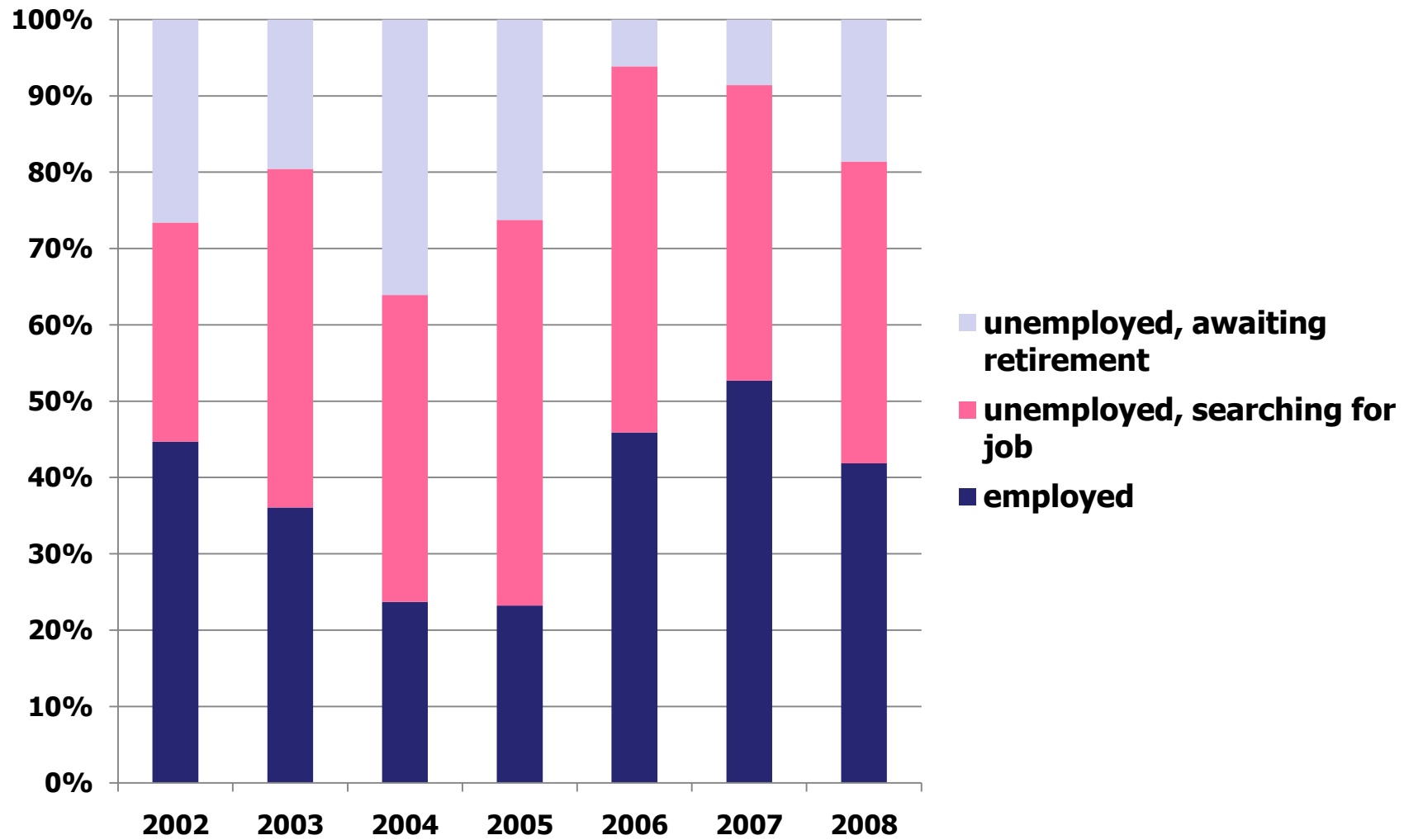
- **compensated** reductions in working time (short-time working allowances) cover less than 1/5 of losses in the volume of work
- additional powerful mechanisms of internal flexibility of firms:
 - long-term flextime – letting time accounts go from the positive to the negative
 - adjustment of statutory working time without compensation
 - firms accepting temporary 'slack' in order to keep workers
- restructuring not currently on top of agenda
- remarkable stability both virtue and problem: no anticipation of accelerated restructuring that may be lying ahead

Three axes in dealing with restructuring





Status of transfer scheme participants immediately after end of schemes in Northrhine-Westfalia



Critical issues

- very uneven regional distribution of schemes does not match incidence of restructuring
- high degree of legal complexity between individual & collective labour law, and social security legislation
- status of participants difficult to explain and understand:
 - employed but without a job
 - not unemployed but obliged to seek jobs
 - transfer company as an 'employer' providing a service to 'employees'
 - PES supposed to provide similar services in parallel
- services purchased by old employer (after negotiations with works council), but large part of participants' income provided from unemployment insurance fund by PES
- vigorous replacement advocate may be lacking

Recent developments

- new legislation taking effect in 2011
- more 'active' role of the PES:
 - more restrictive criteria for funding decisions
 - duplication of roles between PES and transfer companies:
 - profiling
 - job placement
- apprehension of more bureaucratic obstructions
- general trend in outsourced employment assistance services: demanding more for less
- fundamental problem:
 - job transfer as a multi-actor-scheme
 - contradictions will grow when all actors claim equally active roles
 - contradiction between the logics of PES bureaucracy and of autonomous negotiations between employer and works council