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Managing Restructuring in Germany

PRESIDENCY CONFERENCE
Anticipating and managing restructuring in a socially responsible way
New partnerships to preserve employment
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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
The German 'employment miracle' during the recent crisis

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

The chart shows the percentage changes in GDP and employment from 2006 to 2010, with a focus on the years 2008 and 2009, where employment levels hardly reacted to GDP changes.
Monthly flows between employment and unemployment
Recipients of short-time working allowances

- cyclical short-time
- Seasonal short-time
- transfer-oriented short-time
- transfer-oriented short-time (enlarged factor 40)
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

- Employer
- Employee
- Trade union

- Public Employment Service
- Individual
- Collective
- Public
- Works council
The trilateral 'job transfer' deal

employer

⇒ financial resources
⇒ employers' responsibilities

employee

↑ voluntary annulment of open-ended employment contract
⇒ no legal recourse possible
↓ prolongation of employment beyond notice period
↓ usually supplement to short-time allowance
↓ usually severance payment

'transfer company'

↑ obligation to actively participate in transfer activities
↓ fixed-term 'employment' contract on the basis of short-time allowance
↓ transfer services (re-orientation, profiling, training, job placement)

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

- unemployed, awaiting retirement
- unemployed, searching for job
- employed
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