

Worker displacement: reducing the impact on workers, communities and enterprises

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Mass layoffs and worker displacement¹

In the face of rising worker retrenchments around the world, there are measures that workers, communities and enterprises can take to avoid layoffs and lessen the economic and social impacts that are unfortunately becoming increasingly apparent. While some dislocated workers make the transition back to employment easily, others experience serious problems in finding a job and need help in dealing with the sudden loss of employment security. What can communities, employer and worker organizations do to retain jobs and reduce the amount of dislocation and its severity?

Experience suggests that there are a number of strategies possible:

- Educate employers and workers in the community about socially sensitive restructuring approaches and encourage them to adopt innovative employment security strategies -- such as worksharing -- to help them remain competitive while also preserving jobs;
- Develop an early warning network and implement a proactive business retention/layoff aversion strategy in the community to identify and assist troubled enterprises, avert layoffs and lessen the impacts of displacement;
- Using the expertise of the Public Employment Services at the local or regional levels to create a rapid response dislocated worker adjustment capacity at the community level to provide leadership and support if workers are displaced.
- Use the rapid response capacity to help employers and worker representatives implement comprehensive worker assistance programs at the plant and community level to alleviate or minimize the negative consequences of displacement on workers and their families; and
- Initiate community economic assessment and planning efforts to help strengthen and expand the economic base and provide jobs for the dislocated workers

¹ For further information, see: Hansen G. B, F; [Guide to Worker Displacement: some tools for reducing the impact on workers, communities and enterprises](#) (pdf 858 KB), International Labour Organisation (ILO), Geneva, 2009.
Russian and Spanish- language versions; forthcoming.

Organizing a community to retain business and avert layoffs

Successful business retention and layoff aversion programmes work to retain skilled workers and efficient managers in enterprises and the community. From a community perspective, responsible restructuring as it applies to such programmes has three essential elements:

- understanding the concepts of employment security and socially responsible restructuring²;
- accepting the logic and rationale for urging employers to implement employment security and responsible restructuring; and
- taking the necessary steps through social dialogue between employers and workers to develop a proactive program to promote enterprise competitiveness and help employers prevent or minimize worker dislocation in their enterprises.

The importance of early warning mechanisms and rapid response

Experience in a number of countries has demonstrated that specialized worker assistance resource centers (WARCs) are an important component of successful rapid response dislocated worker programs for restructuring enterprises - particularly when a substantial number of workers are being displaced. Once a reemployment assistance committee is organized, one of its primary tasks is to develop a WARC to provide services and support to workers dislocated as a result of a mass layoffs or plant closures. Workers transitioning from a closing or downsizing enterprise typically need and benefit from some or all of the following pre- and post-layoff services:

Pre-layoff

- peer counselling and support;
- information sharing;

Post-layoff

- | | |
|----------------------------|-----------------------------------------------------------|
| • outreach; | • vocational testing and counselling; |
| • assessment and planning; | • referral to training; |
| • budgeting; | • social support networks; |
| • job development; | • referral to social, financial, and health services; and |
| • job search; | • relocation assistance |
| • job clubs or networking; | |

² See, for example: Rogovsky N. ... [et al.], [Restructuring for corporate success: A socially-sensitive approach](#) (pdf), International Labour Organisation (ILO), Geneva, 2005

Work sharing as one alternative to layoffs

Measures to avert layoffs entirely or to significantly reduce or delay them can be win-win-win solutions for workers, employers and their communities. Avoiding job loss means avoiding the social, economic and psychological stress on individual workers and their families and the deterioration of their generic and specific job skills. From an employer's perspective, avoiding layoffs means retaining the ability to respond quickly to improved economic conditions without the costs of hiring and training new workers. For the community, avoiding layoffs means sustaining disposable income levels - enabling families and businesses to continue purchasing goods and services and thereby averting a negative multiplier effect throughout the local economy and beyond. Furthermore, avoiding layoffs maintains government revenue from income and business taxes, enabling communities to keep up public services and infrastructure that can attract new business.

Many countries have a long history of experience with programmes that facilitate the reduction of working hours for employees by making resources available that at least partially offset lost their income. Under some schemes, social security payments are reduced so that employers can use these funds to still pay full wages even though working time is reduced. Sometimes these programmes include incentives to provide training to workers, thus using the temporary downtime to invest in improving productivity for the long run.

Due to the requirement that all parties enter into a work-sharing arrangement voluntarily, social dialogue amongst all participants is an essential feature of any form of work-sharing arrangement. The role of social dialogue amongst the partners is particularly important in situations where forms of subsidizing the lost wages are limited or do not exist at all³.

These programmes go by a number of names such as Short Time Compensation Programs in the United States, the Work Sharing Program in Canada and *Chômage Partiel* in France. What these "work-sharing" schemes have in common is a means of helping employers and workers avert layoffs when faced with a temporary decline in demand for their goods or services because of adverse macro-economic conditions.

- New Zealand's Job Support Scheme provides an allowance to supplement workers' income for up to six months in companies with fifty or more staff
- Germany's Kurzarbeit reimburses 50% reduction in social security contributions to employers who implement short time work schemes as an alternative to lay-off and 100% reduction when training is offered during the downtime. Under this programme, employees receive an amount equal to approximately 60% of their last net wage for a work slowdown of up to six months with potential extension to 24 months during severe economic slowdowns.

³ See also: Messenger J.C. , [Work sharing: A strategy to preserve jobs during the global job crisis](#) (pdf 256 KB), ILO/TRAVAIL Policy Brief No. 1 June 2009

- In Canada, the Work Sharing programme has been effectively utilized as a proactive response to economic downturns for over twenty years. Normally the programme is available for up to thirty-eight weeks but has currently been extended for an additional fourteen weeks to a maximum of fifty-two weeks. The programme also offers more flexible eligibility criteria in order to make it available to a larger number of businesses and employees. As is the case in Germany, participating employers in Canada are encouraged to include training relevant to their recovery plans during the down time.
- Earlier this decade Mexico introduced Quatro per Quatro. Under this initiative, workers work half days and participate in specifically designed training the other half days. Wages continue to be paid by employer for the half days worked and training costs plus a training allowance is paid by Government through the Public Employment Service for the half days of training. Two key features of this program are that through cooperative agreements with other government agencies, workers do not experience any reduction in their normal benefits and; workers and employers plan the most suitable types of training to meet the technological needs of the company.

The ILO's Guide to Worker Displacement will be useful to policy makers, employers and workers in developing appropriate responses that promote worker retention and employment during the current troubling times, complementing other ILO work in enterprise development, labour market policies and social protection.

While both the processes outlined in the Guide and the work sharing programme can be used individually with excellent results, the most substantial impact is realized when the two programmes are implemented as a package. By introducing work sharing to stem the tide of layoffs in a company and then engaging the management and employees in joint consultative approaches to developing and implementing business recovery plans, job losses can be minimized and businesses are able to recover more rapidly.

Further reading

Ulrich S., Rogovsky N., Lamotte D., [Promoting responsible and sustainable enterprise-level practices at times of crisis : a guide for policy-makers and social partners](#) (pdf 4.3 MB), International Labour Organisation (ILO), Geneva, 2009