

SUPPORTING WORKERS AFFECTED BY CLOSURES AND RESTRUCTURING

OECD STEEL COMMITTEE WORKSHOP

Paris, 17th September 2018

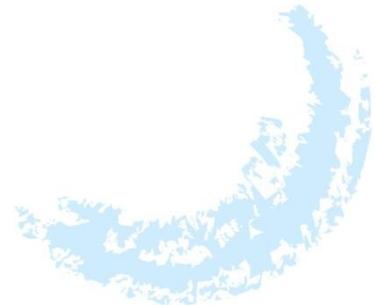
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Standard approach

Economic change presents opportunity to increase total net national income:

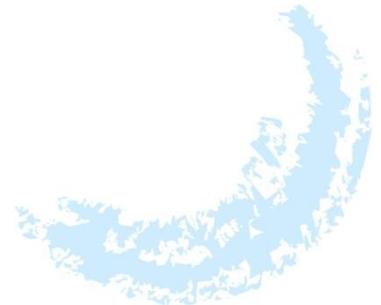
- Globalization, technology provides access to cheaper products and services
- Jobs destroyed by former forces 'liberates' labour and capital to be used in other sectors
- Same theory also applies when other nations subsidize production and exports.



More nuanced version

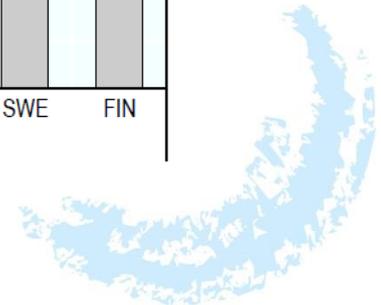
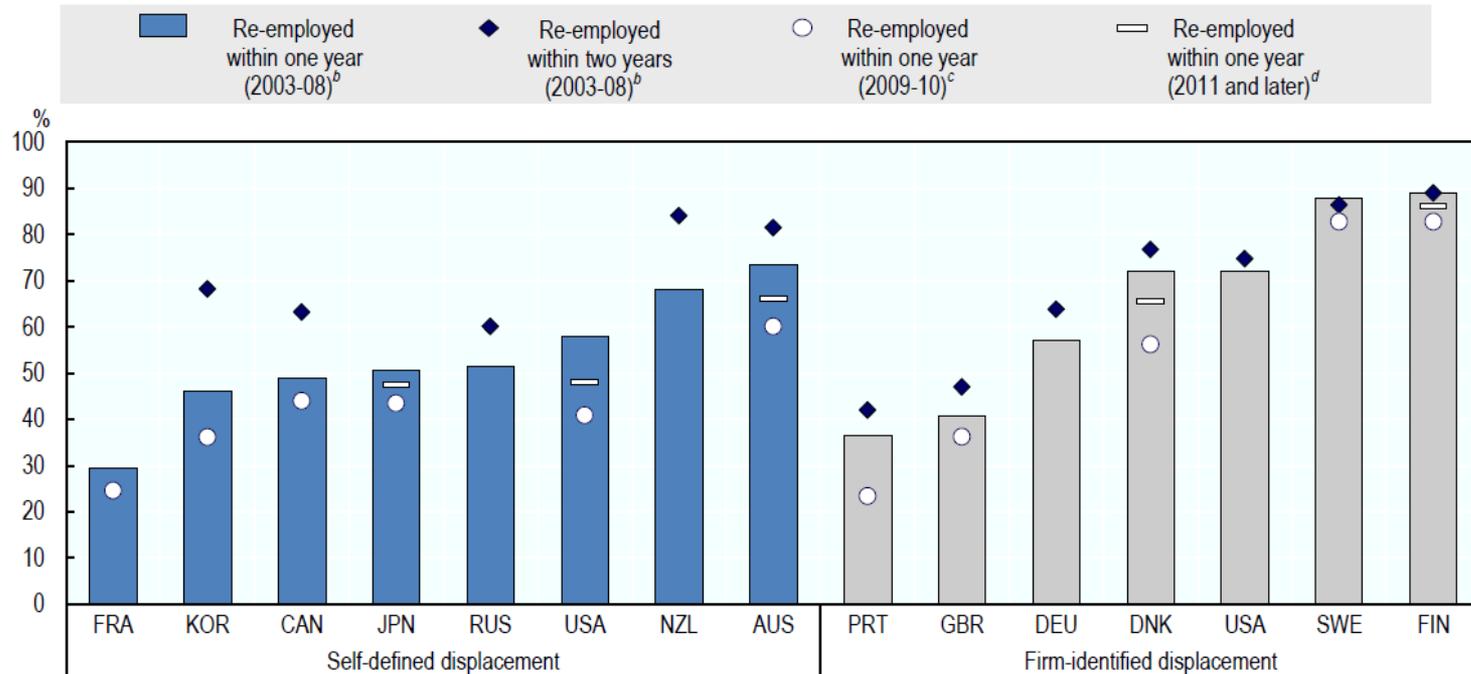
Policy should provide for:

- Active Labour Market measures including (re) training to support worker transition
- “Winners” to compensate the ‘losers’



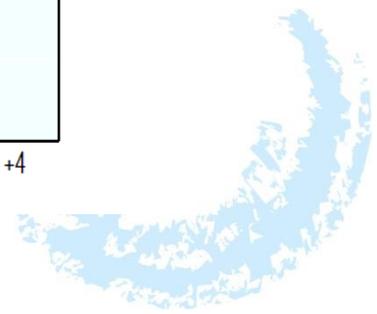
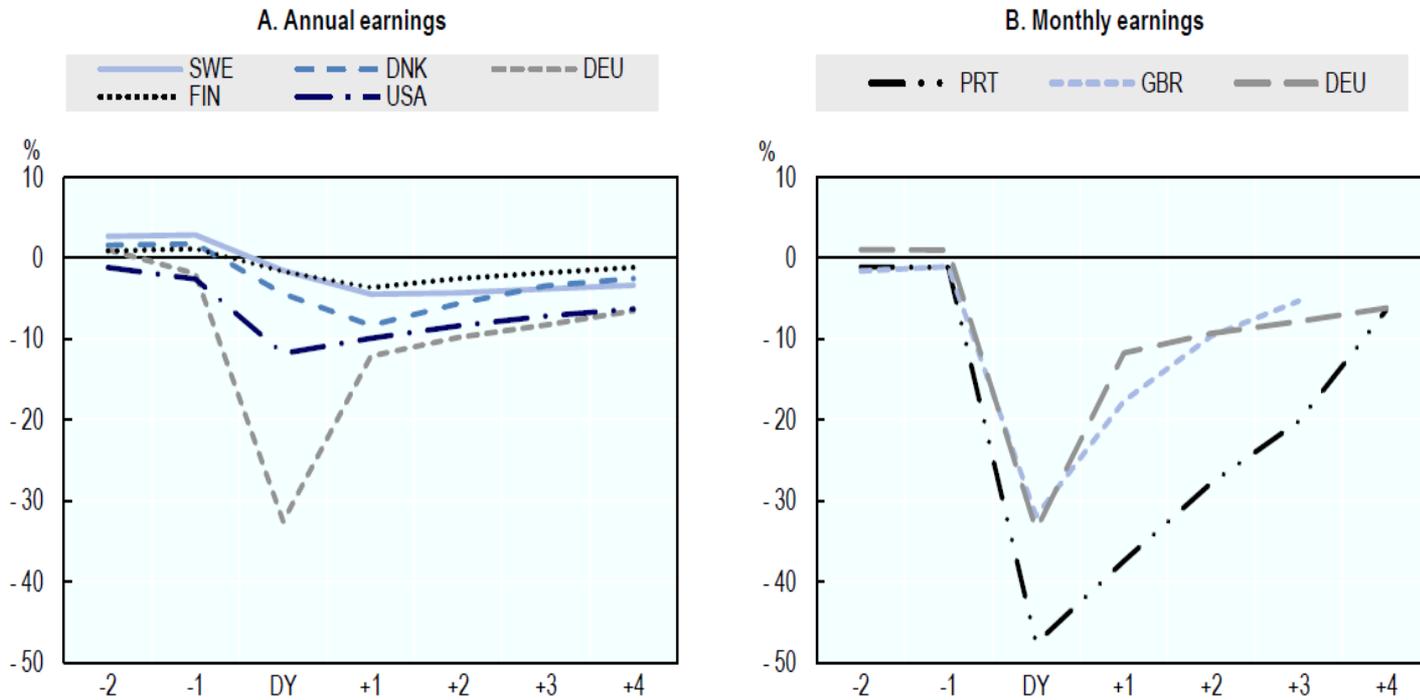
Reality Check(1): Job Destruction does not always equal Job Creation

Re-employment rates after displacement in selected OECD countries,^a 2000-13 percentages



Reality Check(2): New jobs do not always offer comparable pay

Average earnings changes *before* and *after* displacement, percentage of pre-displacement earnings



Reality Check(3): Adjustment costs are larger than assumed

Key issues Paper for 2017 OECD Ministerial:

« Some recent evidence suggests, however, that losses have been more widespread, larger, more region-specific and more durable than previously realised »

Local unemployment remains high and wages remain depressed in US regions even a full decade after the China trade shock (<http://chinashock.info/>)



Reality Check(4): Worker adjustment in US Steel Sector

Massive job losses that have been continuing since the 1980's, up to 100.000 to 158.000 steel workers losing their job. US Steel among most productive in the world (2,2 man hours per metric tonne).

However, also major human suffering, even with transition measures:

- Minimal income support (cut by half, limited to 52 weeks). De facto loss of health coverage
- In case of bankruptcy, workers lose majority of their pension capital
- Despite successful transition, lower standard of living and relocation away from current community.



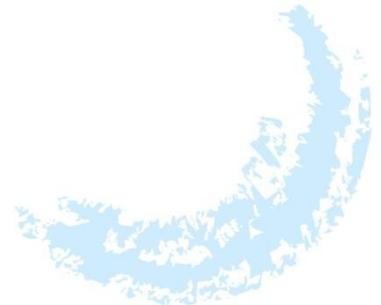
Can we do better?

- **A case study on how transition is handled in Sweden through «Job Security Councils »**
- Background information:
 - OECD publications: « Back to Work Sweden » and « 2018 OECD Employment Outlook »
 - Policy notes from TCO- Sweden at <https://tuac.org/wp-content/uploads/2018/06/Swedish-Job-Security-mimeo-Samuel-Engblom-1.pdf><https://>



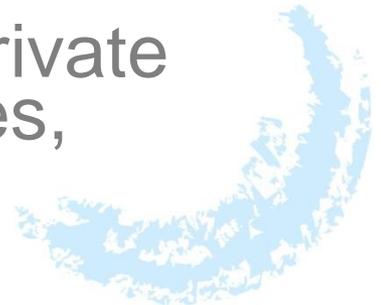
Key Principle at the core of Job Security Councils

- Not to allow dismissed workers to fall into the “black hole of unemployment”
- Assist and prepare workers while they are still at work and from the very moment they receive notification of dismissal
- Two pillars :
 - Transition agreements
 - Robust advance notification periods



Pillar I: Transition agreements

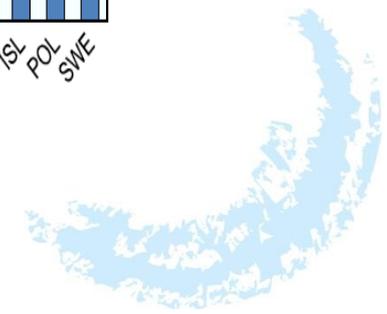
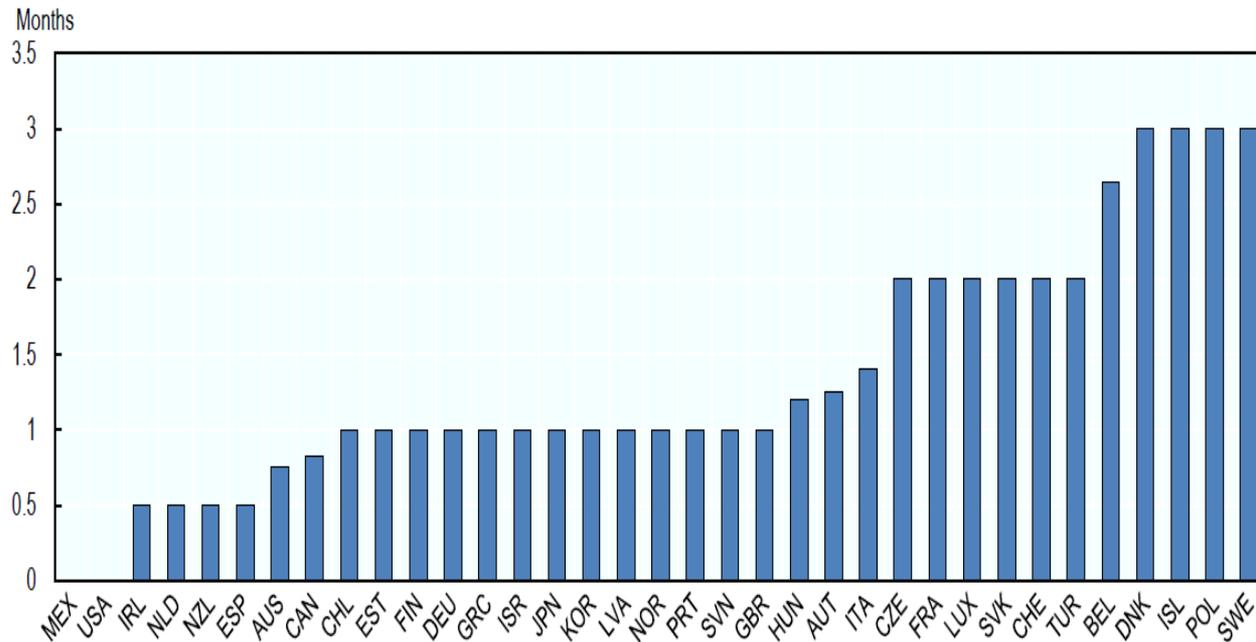
- Sector-level collective agreements where employers and trade unions agree to set up and jointly manage these Councils and to require each company that is covered by the agreement to contribute by around 0,3% of the wage sum
- Councils offer services to individual workers who are about to be dismissed. These involve (besides additional unemployment benefits): personal advisor, help in finding a new job, training, help in starting a business of their own.
- Three main Job Security Councils: Private sector industry, private sector services, public sector organisations



Pillar II : Robust advance notification

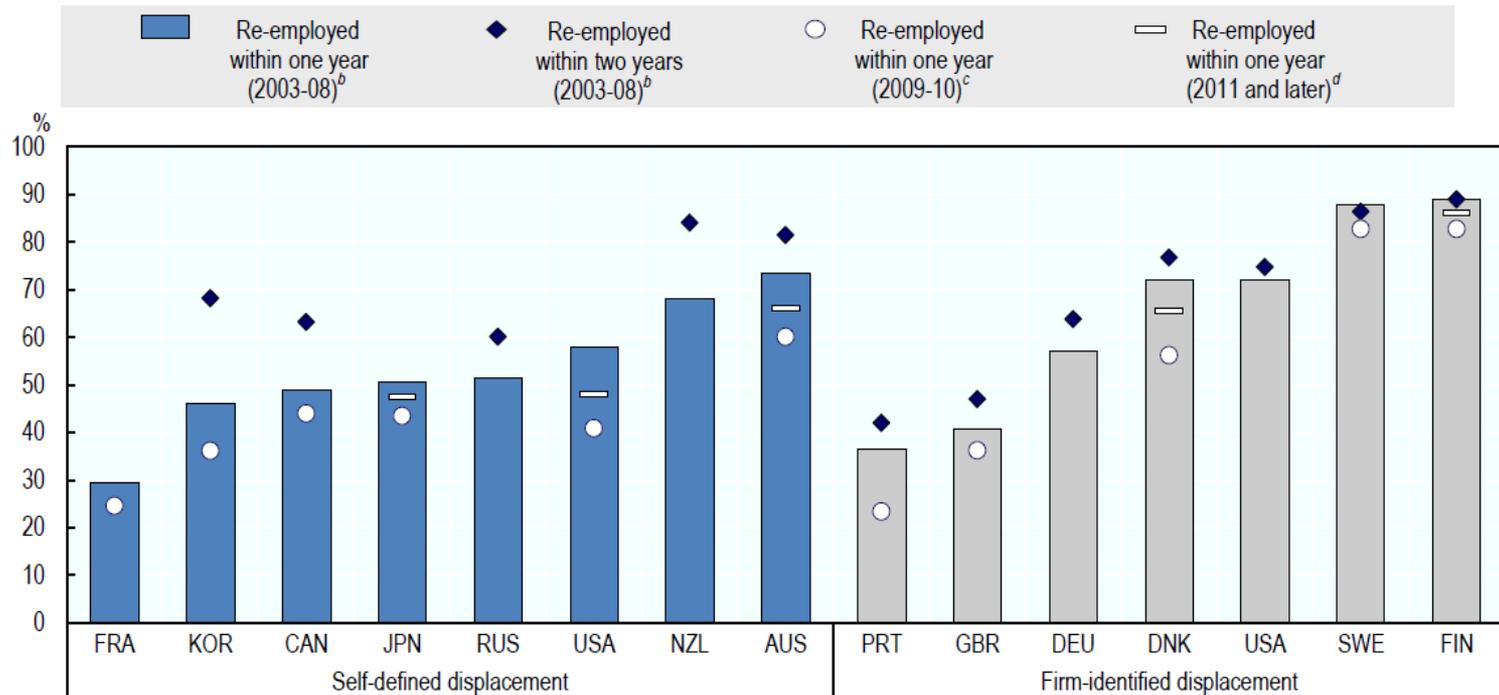
Average minimum advance notice periods for individual dismissals in OECD countries
by years of job tenure, 2013

A. Workers with 4 years of tenure



Result: A 90% re-employment rate

Re-employment rates after displacement in selected OECD countries,^a 2000-13 percentages



Reasons for Success

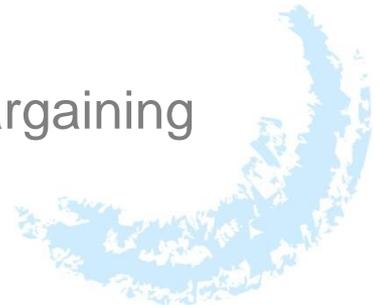
2018 Employment Outlook spells out the benefits of intervening early before workers have lost their job:

- Hysteris effects can be avoided. For example, employers tend to view job applicants who are still at work more favourably.
- In case of mass lay-offs that overwhelm employment service agencies, there are additional benefits as the workplace can be more easily used to organize:
 - Group counselling and job-search assistance
 - Group activities to overcome reluctance of experienced workers to consider career shift away from a sector or company in decline
 - Job fairs bringing dismissed workers in contact with potential employers



Underlying forces at work

- Tradition of sector-level collective bargaining with wide coverage so as to pool the risks of adjustment.
- Employment protection legislation that
 - provides robust advance notification periods
 - gives trade unions leverage to engage in win-win bargaining. In the case of Sweden, such leverage is obtained by labour law imposing 'last in, first out' principle on employers unless trade union agree to deviate from this principle. "Quid pro Quo" underlying Job Security Councils is that employers get to keep employees they consider necessary for the future of the company while displaced workers get more support and a better chance to find a new job.
- Trade union presence at workplace level to allow bargaining on company restructuring



To conclude

- Economic change (global trade) and the 'net benefits' it brings is one issue. The other, equally important, issue is who benefits and who carries the burden of adjustment.
- Labour market institutions that support workers' rights (advance notification/ social security) should not automatically be seen as an obstacle to be reduced but, together with social dialogue, as an opportunity to make 'change' more equitable thus more acceptable.

