Responsible and Sustainable Enterprise-Level Practices at Times of Crisis

A Guide for Policy-Makers and Social Partners

Sustainable Enterprise Programme

International Labour Organization

Sustainable Enterprise Programme

Promoting Responsible and Sustainable Enterprise-Level Practices at Times of Crisis

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1. The global financial and economic crisis and the consequences for enterprises and workers

The global financial crisis has triggered a serious slowdown in world economic growth. This slowdown is reducing demand for commodities, services and manufactured goods. Enterprises are under severe pressure to adjust to these circumstances. They are often forced to reduce costs, to reconsider their corporate strategies and investments and to restructure their businesses.

The consequences of the current efforts to restructure enterprises are enormous. Many companies have stopped hiring and many are laying off workers in considerable numbers. In times of outsourcing and global supply chains, restructuring in one company affects many suppliers, their workers and localities all over the world.

The ILO estimates that global unemployment in 2009 could increase over 2007 by a range of 18 million to 30 million workers, and more than 50 million if the situation continues to deteriorate. Up to 200 million workers, mostly in developing economies, could be pushed into extreme poverty.[1]

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[1]   ILO (2009): Global Employment Trends report (GET).
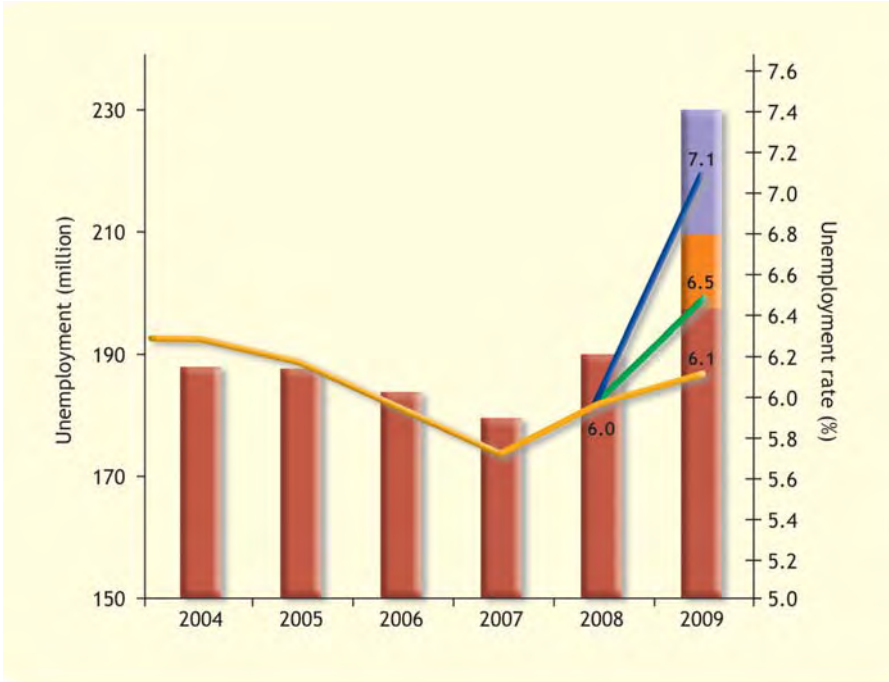
Source: ILO Global Employment Trends 2008. The projections for 2009 (brown, green, blue line) are scenarios based on different assumptions about the severity of the crisis.

Responding to this challenge, this ILO publication promotes the adoption of responsible and sustainable enterprise-level practices, which allow enterprises at the time of the crisis to remain economically viable, but not at the expense of social costs.

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2. Importance of responsible and sustainable enterprises-level practices

There is widespread recognition that the long-term viability of an enterprises means that its management should be based on the three pillars of sustainability: economic, social and environmental. At the enterprise level, sustainability means operating a business so as to grow and earn profit, and recognition of the economic and social aspirations of people inside and outside the organization on whom the enterprise depends, as well as the impact on the natural environment.

Sustainable enterprises need to innovate, adopt appropriate and environmentally friendly technologies, develop skills and human resources, and enhance productivity to remain competitive in national and international markets. Studies in enterprises of all types and size show that there is a clear relationship between conditions of work, productivity and competitiveness.[2]

The International Labour Conference (2007) identified the following six principles that help enterprises to achieve sustainability:

1.   Social dialogue and good industrial relations. Sustainable enterprises engage in social dialogue and good industrial relations, such as collective bargaining and worker information, consultation and participation.

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[2]   See, for example, J. Addison: "Worker participation and firm level performance", British Journal of Industrial Relations, Vol.38, No. 1 (March 2000), pp. 7-48; I. C. Imoisili and A.V. Henry et al: Productivity Improvement through Strengthening Management-Labour Cooperation (Port of Spain, ILO, 2004); and J.M. Rosow and J.V. Hickey: "The partnership paradigm for competitive advantage", Strategic Partners for High Performance, Work in America Institute, New York, USA, 1994.

2.   Human resource development. **Human resource development in sustainable enterprises should be based on social dialogue and workers' participation. Sustainable enterprises view skilled workers as a major source of competitive advantage and view employees both as assets and agents for change.**

3.   Conditions of work. **Sustainable enterprises offer conditions of work that provide a safe and motivating working environment and mutually beneficial flexible work organization.**

4.   Productivity, wages and shared benefits. **Workers need to be able to participate in the success of enterprises and to gain a fair share in the benefits of economic activities and increased productivity.**

5.   Corporate social responsibility (CSR). **Sustainable enterprises can use CSR to complement their pursuit of sustainable strategies and outcomes. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) provides guidance on good corporate behaviour and citizenship.**

6.   Corporate governance and business practices. **Good corporate governance and business practices are based on values such as accountability, fairness and transparency, respect for the rule of law and for fundamental principles and rights at work.**

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3. Adopting responsible and sustainable enterprise-level practices during periods of economic crisis

Applying responsible and sustainable enterprise-level practices during a period of economic crisis is a challenge. There can be tensions between the need to remain competitive and survive as an enterprise while at the same time considering and minimizing the social impact of cutting costs and restructuring the business. However, such tensions could be minimized, if not eliminated, if the enterprises are pursuing long-term sustainable strategies, policies and practices - based on the six principles outlined above.

3.1 Anticipation of change

Sustainable enterprises must be prepared to face constantly changing conditions in the market place and develop the ability to adapt to change. Anticipation of the economic, financial, industrial and business environment should therefore be part of long-term corporate thinking and planning in general, and to human resource development in particular. However, it is clear that anticipation has limits. Not many people have foreseen the severe consequences of the financial crisis. Still, companies can prepare for crises by putting early warning systems into place and applying methods such as scenario planning.[3]

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[3]   See for example: van Notten, Philip (2006): Scenario Development. Think Scenarios, Re-think Education. OECD.

Scenario planning: a popular tool for strategic planning during crisis

A McKinsey executive survey confirms that scenario planning is becoming a leading part of the strategic planning process. Over 50 percent of the responding executives say that scenario planning is either playing a bigger role in their companies' strategic planning this year or has been newly added to the process. In a highly uncertain environment, the advantages of scenario planning are clear: since no development forecast can be regarded as probable, it's necessary to develop plans on the assumption that several different futures are possible.

Source: McKinsey Quarterly Survey, April 2009

Anticipation includes monitoring the performance of suppliers, customers, and competitors. A company depends on the first two, and can learn from the third.

Long-term human resource development

Companies can also prepare themselves for the crisis by applying human resource development (HRD) strategies and practices that develop a workforce with multiple skills and competencies. This allows companies to be flexible and adapt to change during crisis. Elements of such HRD strategy include:

- Recruiting and training of a diverse workforce

- Continuous training and development and promotion of a culture of life- long learning

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- Progressive work organization that increases employability such as flexible work assignments, flat hierarchies, team work, job rotation, etc.
- Flexible working time arrangements such as part-time and annualised working time accounts that level employment during periods of high and low demand

Employees – costs vs. assets

Companies with long-term HRD strategies are more likely to view their employees not only as costs, but also – as assets. The ILC 2007 Conclusions concerning the promotion of sustainable enterprise stressed that

> "Sustainable enterprises view skilled workers as a major source of competitive advantage and view employees both as assets and agents for change. The development of relevant skills and competencies and their effective use ensure high productivity and competitiveness of enterprises"[4].

Professor Wayne Cascio came to similar conclusions:[5]

> "As I investigated the approaches that various companies, large and small, public and private, adopted in their efforts to restructure, what became obvious to me was that companies differed in terms of how they viewed their employees. Indeed, they almost seemed to separate themselves logically into two groups. One group, by far the larger of the two, saw employees as costs to be cut. The other, much smaller group saw employees as assets to be developed."

The first group sees employees as commodities - like microchips or light bulbs, interchangeable, substitutable, and disposable, if necessary. They constantly ask themselves: "What is the minimum number of employees we need to run this company? What is the irreducible core number of employees the business requires?"

The second group sees employees as assets to be developed and sources of innovation and renewal. They constantly ask themselves, "How can we change

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[4]   ILO (2007): Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, p. 6.

[5]   Cascio, W.F. (2002): Responsible Restructuring: Creative and Profitable Alternative to Layoffs (San Francisco, CA, Berrett-Koehler Publishers).

the way we do business, so that we can use the people we currently have more effectively?"

The legitimacy of the latter position seems to be grounded in the recent global market trends, such as easier access to finance, inability of many companies to protect their technological advantage in a long-term perspective, etc. In such a situation human and social capital, or, to put it simple, the way companies treat workers and communities, become important sources of competitive advantage.

However, at times of crisis even companies with the long-term strategies might need to restructure.

3.2 What is restructuring?

The term restructuring is used in many different ways. First of all, restructuring is a profound change in the ways a company operates. This involves changes in the company's strategy, structure, etc. Restructuring usually aims at making a company's operation more efficient. This can mean just a reallocation of available resources, without necessarily cutting costs or reducing the workforce.

This term is also used when it comes to downsizing. However, from our point of view, restructuring is a much broader issue than downsizing.

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The International Labour Standards and Restructuring

While going through restructuring, companies should do their best to address the needs of employees and communities. Such a position is grounded in international standards, such as the ILO International Labour Standards (ILS), known as Conventions and Recommendations. In particular, one should mention here Convention No. 158 on Termination of Employment, which is accompanied by the Recommendation No. 166. Both documents were adopted by the International Labour Conference in 1982, but are still very relevant. In these documents it has been emphasized that the ILO recognized that termination of employment could take place for economic reasons. It is also stressed that this decision could be made by the enterprise management. At the same time, the ILO emphasizes the necessity of a long-term approach to the HR planning, and importance of creating and maintaining a multifunctional workforce, its continuous training and development.[6]

The ILS also emphasizes the importance of:

- Consultations between workers and employers before, during, and after the period of restructuring

- Creation of the most preferential conditions for the workers affected, so that they could continue their professional career

- Non-discriminatory policies and practices in restructuring, based on such characteristics as age, gender, union membership, etc.

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy is another ILO tool that reflects the ILO position on restructuring. In particular, it emphasizes that

> *"In considering changes in operations (including those resulting from mergers, take-overs or transfers of production) which would have major employment effects, multinational enterprises should provide reasonable notice of such changes to the appropriate government authorities and representatives of the workers in their employment and their organizations so that the implications may be examined jointly in order to mitigate adverse effects to the greatest possible ex-*

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[6] See Rogovsky et al. (2005): Restructuring for Corporate Success: A socially sensitive approach, ILO; Geneva.

tent. This is particularly important in the case of the closure of an entity involving collective lay-offs or dismissals."[7]

However, in practice very often we see the following trends:

- Downsizing is often the first thing that a company is doing when the economic situation deteriorates

- Downsizing is often the first thing that the new owner is doing when he/she acquires another company

- Often downsizing is taking place without social dialogue and taking into consideration the interest of the employees affected.

The hidden costs of restructuring

It is often perceived that downsizing has a positive impact on the performance of the company. However, as current research and experience has shown, this is not always true[8]:

- Downsizing employees does not lead to long-term improvements in the quality of products or services. In its survey on corporate downsizing, job elimination, and job creation, the American Management Association reported that over the long term, only 35 percent of responding organizations increased the quality of their products and services after laying off employees

- Profitability does not necessarily follow downsizing. Data from the S&P 500 for 1982-2000 show clearly that profitability, as measured by the return on assets, does not necessarily follow downsizing, even as long as two years later (Cascio and Young, 2003). Survey data provide support for such a conclusion. For example, the "2001 Layoffs and Job Security Survey", conducted by the Society for Human Resource Management, reported only 32 percent of respondents indicated that layoffs led to higher profits

- Productivity does not necessarily increase as a result of downsizing. The American Management Association surveyed 700 companies that had

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[7]   ILO (2006): Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO Geneva, paragraph 26.

[8]   The following findings are largely taken from Cascio, op cit.

downsized in the 1990s. In 34 percent of the cases, productivity rose, but it fell in 30 percent of them

- By laying-of employees, firms can all too easily lose vital knowledge that is locked up in the heads and hands of their employees. Losing some of this knowledge may end up costing the company more than it saved on a salary.

Lessons from previous crises

During the 2001-02 recession, many firms quickly laid-off staff, especially in their lower ranks. These cuts made it challenging for executives to manage day-to-day execution and service or plan for further performance improvements that would enable them to emerge from the recession successfully. Furthermore, when economic growth picked up again, they found themselves poorly positioned lacking skilled staff to manage the expansion.

Source: The Economist, 29.01.09.

- Certain practices of workforce reduction may damage the reputation of companies among employees, graduates and customers. The costs of a damaged reputation are hard to calculate and firms often don't consider them.

- For the majority of companies, downsizing has had adverse effects on the morale, workload, and commitment of "survivors". Seventy percent of senior US managers who remained in downsized firms report that morale and trust declined[9]. A US national survey found the following consequences of downsizing among the "survivors": 54 percent feel overworked, 55 percent feel overwhelmed with workload, 59 percent lack time for reflection, and 56 percent do not have time to complete tasks. After downsizing in a major Australian bank, 49 percent of "survivors" felt a decreased sense of commitment to the organization, 64 percent experienced decreased job satisfaction, and 83 percent reported increased stress.

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[9]   ibid

3.3 Three layers of restructuring through reducing costs

Restructuring is not necessarily downsizing! Adopting responsible and sustainable workplace practices by giving adequate attention to the human and social side of enterprise restructuring during the crisis helps to avoid potential pitfalls of restructuring. Acknowledging the hidden costs of workforce reductions, enterprises should consider a three layer strategy when cutting costs. This can involve:

- reducing non-staff costs first;

- secondly, aiming at staff-costs savings without making employees redundant

- finally, reducing staff-costs through layoffs and downsizing when alternative sources of cost savings are exhausted, but doing that in a socially sensitive manner

Reducing non-staff costs	Reducing costs without redundancies	Reducing costs through layoffs and downsizing
• Improving productivity • Identifying wasteful practices • Workplace cooperation • Employee suggestion schemes • Cutting non-labour costs such as travel expenditures	• Freeze on new hiring • Training and internal edeployment • Cuts in pay and bonuses • Part-time work • Reduced hours • Forced vacation, sabbaticals	• Voluntary redundancy and early retirement • Severance packages • Reducing casual staff • Training to increase the employability of workers • Assisting with job search • Support self-employment

Consultation and Social Dialogue

3.3.1 Reducing non-staff costs

In most enterprises, there is a potential for company-specific cost-savings beyond labour costs. The best way to exploit this potential and to identify wasteful practices is to involve employees. Companies should consider awarding ideas that save expenditures, and make cost-saving everyone's business.

To achieve the full benefits of cost reduction companies need to deliberately plan and implement activities. Strategies to enhance employee involvement in workplace decision making are typically most successful when they are integrated with other enterprise strategies under an overarching strategy that emphasises the mutual interests of employees and employers. Such engagement is usually positively correlated to lower employee turnover, improved productivity and enhanced commercial outcomes, including sales growth, customer satisfaction, and total shareholder return.[10] Thus, employee involvement plays a major part in innovation at the enterprise level, which is key to enterprise competitiveness.

It is important to think beyond the short-term cost savings when implementing cost reduction programmes. How cost-reduction programmes are executed in the short-term will greatly influence how people respond to the long-term impacts of cost reduction initiatives. During the last recession, some companies believed they lacked the time or money to continue operational improvement efforts such as Six Sigma programmes and opted instead for across-the-board head count reductions of, say, 10 percent. This approach led companies to squander investments in people and process improvements. More important, companies struggled to restart these efforts, because workers no longer believed that their leaders would follow through their plans and strategies the next time.

A recently released cost improvement survey among Fortune 500 Companies confirmed the importance of corporate culture and employee behaviour in driving successful cost reduction. However, the survey also revealed that companies often underestimate the effort required to make these changes happen.[11]

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[10] Kaplan and Norton (2001): The Strategy Focused Organisation (Boston, Harvard Business School Press).

[11] Deloitte (2009): In Fighting Shape: A survey of cost improvement trends from Fortune 500 Companies.

The ILO Factory Improvement Programme

The ILO's Factory Improvement Programme (FIP) operating in Viet Nam, Sri Lanka and India helps participating enterprises increase productivity, improve working conditions and strengthen collaboration and communication between managers and workers. The programme shows that better labour practices and working conditions have led to measurably improved enterprise performance and produced a set of case studies and tools for learning. An independent evaluation of the Viet Nam programme reported that:

- The Factory Improvement Teams, composed of managers and workers, that each factory had established, all continue to operate some 14 months after the programme ended.

- End-line production defects were, on average, reduced by 67 per cent. Some workshops achieved reductions of over 90 per cent.

- Awareness was raised on quality and productivity issues across all levels of the factories (as demonstrated by the widespread continuing use of tools and techniques introduced in FIP).

- Working areas were reconfigured to ensure efficiency gains in production and enhanced worker safety.

- Heightened awareness was achieved of occupational health and safety issues in the participating factories and subsequent action was taken to reduce hazards, such as the provision of safety equipment, and establish accident response procedures.

Source: ILO: FIP - Vietnam Evaluation (September 2006) and www.ilofip.org

3.3.2 Reducing staff costs without redundancies

The last costs that any responsible enterprise wants to cut are staff costs that imply laying-off employees. Sometimes, they do not have a choice, but often there are options to reduce staff costs without having to resort to redundancies. The following is a non-exhaustive list of measures that could be negotiated and implemented in order to reduce labour costs without laying-off people:[12]

- Freeze on new hiring

- Work Sharing

- Retraining and filling vacancies with existing employees

- Cuts in pay and bonuses

- Cutback on paid overtime

- The introduction of different working patterns such as reduced hours and part-time solutions

- Partial retirement as well as "encouraged" vacations or sabbaticals

3.3.3 Reducing staff costs through layoffs and downsizing

As a general rule, redundancies due to enterprise restructuring should be a last resort: a range of other options such as the ones discussed earlier should be considered before redundancies are made. If downsizing is the only option that is left, the first responsibility of enterprises is to oblige with national laws that regulate layoffs.[13] Consultations with workers' representatives should explore ways and means of avoiding collective redundancies or reducing the number of workers affected, and of mitigating the social consequences of redundancies.

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[12] See also Hansen (2009): A Guide to Worker Displacement. Some tools for Reducing the Impact of on workers, communities and enterprises. Updated version from 2002.

[13] See also IFC (2005) Managing Retrenchment. Good Practice Note, August, No 4. Washington, DC., IFC.

The following measures could be implemented in compliance with legislation or shared agreement reached between employers and workers, or as an enterprise's voluntary initiative:

- Seeking applicants for voluntary redundancy and/or early retirement
- Severance packages
- Training and other measures to increase the employability of workers
- Assisting with job search (internal/external)
- Support for entrepreneurship and self-employment
- Priority in rehiring
- Counselling

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3.4 Consultation and social dialogue

Consultation and social dialogue always constitute the cornerstone for the effective enterprise level employer-worker relations. With mutual trust, information sharing and participative problem solving approach, enterprises are better able to improve productivity and remain competitive.

As a general rule, as much information as possible should be given to the workforce. On the one hand, this will help to gain the trust of the workforce and its buy-in to steering the company through the crisis. If the workers feel that they are being kept "out of the loop" and that the employer is withholding information, this is unlikely to foster good relations and a smooth process of managing the restructuring. On the other hand, being informed, workers can contribute to the task of managing the adjustment process. They often have a better insight of how proposed restructuring programmes might affect actual company operations and propose alternative ways for cutting costs and carrying out the adjustment process.

4. What policy makers and social partners can do to promote responsible and sustainable enterprise-level practices

Policy-makers and social partners can play a pro-active role to address the adverse impacts of economic restructuring and worker displacement. They can provide an enabling environment for enterprises that allows enterprises to adapt to rapidly changing conditions during crises. If governments focus on working with enterprises and social partners to smooth the movement of labour to where the future work will be, then the economic downturn could be less painful.

There is a range of policies and practices that policy-makers and social partners may consider to induce responsible business practices by enterprises and to address negative consequences through enterprise restructuring. The following sections elaborate on these policies and practices.

4.1 Providing an enabling environment for enterprises to adjust to crises

As an outcome of the 2007 ILC general discussion on sustainable enterprise, governments, workers' and employers' organizations agreed on a set of 17 elements of conducive environment for sustainable enterprises. The role of conducive environment is becoming much more important in times of crisis. The ILC conclusions state that

"Sustainable enterprises and economies must develop the ability to adapt to rapidly changing conditions in the marketplace. In order to support enterprises and their workers to cope with such challenges, governments should develop a legal and institutional framework, including labour regulation, social protection, active labour market policies and efficient employment services which also support enterprises' capacity to adapt. Such policies should be developed in full consultation with the social partners."[14]

Source: ILO (2007): Conclusions concerning the promotion of sustainable enterprises.
ILC, June 2007.

The ILO's tripartite constituency agreed on the following basic conditions for a conducive environment for sustainable enterprises:

1. Peace and political stability
2. Good governance
3. Social dialogue
4. Respect for universal human rights
5. Entrepreneurial culture
6. Sound and stable macroeconomic policy
7. Trade and sustainable economic integration
8. Enabling legal and regulatory environment
9. Rule of law and secure property rights
10. Fair competition
11. Access to financial services
12. Physical infrastructure
13. Information and communication technology
14. Education, training and lifelong learning
15. Social justice and social inclusion
16. Adequate social protection
17. Responsible stewardship of the environment

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[14] ILO (2007): Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, p.8.

Through a variety of policy instruments governments and social partners can make enterprises more productive and profitable. Moreover, some more direct measures could be used at these times.

New Zealand National Workplace productivity programme

The Government of New Zealand follows a tripartite approach in seeking to raise workplace productivity. In 2004, it had established a Workplace Productivity Working Group, which identified seven key drivers of workplace productivity in the country: leadership/management, skills/knowledge, technology/innovation, work organisation, workplace cultures, network/collaboration and measurement.

The government has set up a website on which employers can find practical information, tools and case studies to help them improve their workplace productivity. A Workplace Productivity 'starter' Toolkit contains a questionnaire and case studies on exemplary workplaces, designed to show other workplaces how to achieve performance benefits.

New Zealand's National Workplace Productivity Programme is designed to reach a large number of workplaces and provides practical support for employers and workers to raise performance in the workplace, the value of the work done and the rewards for both employers and workers.

Source: New Zealand Department of Labour website at http://www.dol.govt.nz/workplaceproductivity/.

4.2 Providing temporary wage subsidies

An obvious way to support firms in abstaining from laying-off employees is lowering the cost of labour during crisis. This can be done for example by lowering contributions to social security systems or temporary wage subsidies.

While there are valid arguments against the use of broadly applied wage subsidies, wage subsidies that are limited to a certain period of time are a useful instrument in times of economic slowdown and low labour demand. Lower costs for the public compared to unemployment benefits and a remaining link between employer and worker might outweigh the negative aspects such as deadweight losses.

Short-term employment subsidies in Germany

In Germany, companies facing economic difficulties may place employees on short-time working arrangements on a temporary basis to avoid redundancies. In such cases, the German Employment Agency "Bundesagentur für Arbeit" substitutes parts of the salaries of workers and half of the social insurance contributions. If workers use the idle time for training and qualification, the agency refunds the full social insurance contributions of the trained employee. During the current crises, the agencies extended the period for short-time work from 12 to 18 months. The costs are paid out of the reserves of the agency accumulated during times with lower unemployment.

Source: http://www.arbeitsagentur.de

4.3 Supporting enterprise-level training programmes

Many countries have implemented policies to provide financial assistance to firms that train workers. These policies are based on two assumptions: On the one hand, training is assumed to improve the competitiveness of firms, which in turn contribute to value creation for the society at large. On the other hand, it is nowadays acknowledged that there is no such thing as a clear division between company-specific training (which the employee can only apply in his/her current firm and for which the company is therefore expected to pay), and general training (which also serves the employee outside of his/her current workplace).

The most common financial incentives for firms to train their workers are levy rebate or exemption schemes, which partially reimburse employers for train-

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ing activities. The success of such schemes largely depends on transparent management (often tripartite), the availability of qualified training providers and effective monitoring and quality assurance mechanisms. [15]

Times of low demand are well suited for employees to enrol in training activities. There are lower opportunity costs for firms to send their employees for training since alternative employment is often not available. Furthermore, economic slowdown goes hand in hand with structural change for which employees are better prepared with newly acquired skill sets.

However, economic slowdowns are also times during which firms tend to cut spending on activities such as training. Therefore, extending public support for firms during crisis contributes not only to reducing the oversupply of labour but also provides incentives for firms to keep up investing in human capital.

Singapore's response to the crisis: extending skills support

Singapore's Workforce Development Agency (WDA) encourages companies affected by declining business to use the downtime to upgrade the skills of their employees. In December 2008, the agency introduced a two-year programme Skills Programme for Upgrading and Resilience (SPUR) which expands financial support for training during the current economic downturn.

The programme, developed in consultation with the tripartite partners, intends to cut labour costs for companies, help workers including those retrenched to upgrade skills and convert to new jobs, and to strengthen the country's manpower capabilities to better position the workforce for the upturn.

Source: www.wda.gov.sg

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[15] ILO (2007): ILC report V. Skills for improved productivity, employment growth and development, p.76

4.4 Encouraging social dialogue at the enterprise, sectoral and national level

During crisis, consultation and social dialogue are even more important to assist governments to find creative solutions to the crisis at national and global levels.[16] Effective implementation of responsible workplace practices discussed in this guide requires social dialogue and consultations.

The ILO defines social dialogue as all types of negotiation, consultation or simply exchange of information between representatives of governments, employers and workers, on issues of common interest relating to economic and social policy.[17] Social dialogue takes place at the national, sectoral or enterprise levels.

During crisis, social dialogue at all levels is needed. Most conditions of an enabling environment for enterprises are set at the national level, and a reality-check through the social partners is crucial for putting in place systems that work. Sectoral dialogue and the set up of corresponding dialogue structures is needed to deal with specific restructuring cases of sectors that are more affected by the crisis than others.

Moreover, it is at the enterprise-level where the details of measures to manage enterprise restructuring are agreed. Social dialogue, first and foremost bipartite, helps firms to find mutually beneficial restructuring strategies.

All levels of social dialogue are interlinked and can all play a role in restructuring: for example, a framework of reference can be set at national and/or at sectoral level, and the detailed implementation of measures can then be negotiated at company level.[18]

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[16]   For a discussion about the role of social partners in the design and implementation of anti-crisis measures see Rychly. L (2009) Social dialogue and the design and implementation of measures in times of global financial and economic crisis, ILO, forthcoming

[17]   http://www.ilo.org/public/english/dialogue/download/brochure.pdf

[18]   See also *ILO Guidelines for socially sensitive labour-force restructuring*, ILO Budapest, forthcoming.

Learning from previous crises

Before the Asian financial crisis, neither work sharing nor wage support was practiced in Malaysia. In response to the crisis, the government introduced in 1998 measures to keep workers in jobs such as recommendations for temporary pay cuts and lay-offs, voluntary separation schemes, flexible working hours and part-time employment. To encourage employers to send their workers for retraining during the crisis, the government increased reimbursement rates to cover the full costs of training (up from the previous imbursement rates of 75 %).

Source: Betcherman et al. (2001).

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5 How the ILO can support these policy responses

The ILO supports policy-makers and social partners in the promotion of responsible workplace practices by

Conducting research and building a knowledge base

The ILO conducts action-oriented research in fields relevant to responsible workplace practices such as

- High performance workplaces practices
- Socially Sensitive Enterprise Restructuring
- Corporate social responsibility
- Social dialogue and labour-management cooperation
- Enabling environment for sustainable enterprises
- Flexicurity and active labour market policies
- Skills development and training policies
- Local economic development

The ILO further collects case studies that document the business case for responsible workplace practices and examples of good practice. The Organization disseminates collected information and knowledge among its constituents and a broader audience. Key publications can be found in the Annex to this publication.

Training and technical cooperation

The ILO provides training and expertise to strengthen the capacity of constituents to promote policies that support the adoption of responsible workplace practices. The ILO's International Training Centre (ITC-ILO) in Turin is an important partner in these capacity-building efforts. Together with the ILO's Enterprise Department, the Turin centre offers a training programme "Sustainable enterprise promotion through good workplace practices and human resource management" as well as other course related to labour issues and corporate social responsibility. The Training Centre delivers these courses as on-campus or shorter off-campus training with tailored thematic focus.

The ILO is also involved in world-wide technical cooperation activities. Technical cooperation programmes and projects help the ILO constituents and enterprise managers to adopt responsible workplace practices.

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The ILO Technical Cooperation Programme "Sustaining Competitive and Responsible Enterprises" (SCORE)

Score is a programme of the International Labour Organization that supports small and medium sized enterprises to grow and create more and better jobs by improving their competitiveness through better quality, productivity and workplace practices. Short training sessions for workers and managers are followed by enterprise visits and counselling to meet the specific needs of individual enterprises. The programme is particularly relevant for enterprises that face internal problems relating to quality, productivity, pollution and waste, workplace health and safety or human resources management.

Source: SCORE Module 1: Workplace Cooperation. A Foundation for Business Success. A Training Manual for Managers and Workers

Providing guidance and supporting advocacy

Through a number of ILO Conventions and Recommendations and other instruments such as the MNE Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the ILO provides guidance to governments and social partners to promote responsible workplace practices.

Furthermore, the ILO supports its constituents in advocacy issues in order to make them better equipped to participate in the national-level, as well as regional and global discussions on relevant policies, legislation and regulations in the areas related to responsible and sustainable workplace practices.

6 Annex: Publications and useful resources

The Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), 2006

The MNE Declaration contains recommendations on how multinational enterprises can voluntarily apply principles deriving from international labour standards in the areas of general policies, employment promotion and security, equality of opportunity and treatment, training, wages and benefits, minimum age, occupational safety and health, and industrial relations; and how governments and social partners can help them to do that.

Available in: English, French, Spanish, Arabic, Bahasa, Italian, Japanese (2006 version), Azeri, Brazilian Portuguese, Chinese, Finnish, German, Hungarian, Kiswahili, Polish, Russian, Turkish (2000 version)

Available online at www.ilo.org/multi

OECD Guidelines on Multinational Enterprises, 2000

The OECD Guidelines provide voluntary principles and standards for responsible business conduct in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation.

Available online at www.oecd.org/daf/investment/guidelines

📺 OECD Principles of Corporate Governance, 2004

The principles of Corporate Governance serve as reference point and can be used by policy makers as they examine and develop the legal and regulatory frameworks for corporate governance that reflect their own economic, social, legal and cultural circumstances, and also by companies as they develop their own practices.

Available at www.oecd.org/dataoecd/32/18/31557724.pdf

📺 International Instruments and Corporate Social Responsibility. A booklet to Accompany Training on the Labour Dimension of CSR: from Principles to Practice, 2007

This booklet describes the evolution of the concept of CSR, the role that international organizations and the European Union play in this area, and workplace initiatives. It explains in particular the three international frames of reference in the area of CSR, namely the ILO MNE Declaration, the OECD Guidelines for Multinational Enterprises, and the Global Compact.

Available in: English, French, Spanish, Arabic

Copies can be requested by writing to multi@ilo.org

📺 The Labour Principles of the United Nations Global Compact. A Guide for Business

The Guide includes a brief description of each of the four Global Compact labour principles: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Available at: www.ilo.org/multi

▣ Conclusions concerning the promotion of sustainable enterprises, 2007

Adopted by the International Labour Conference in June 2007, these Conclusions identify 17 essential factors of a conducive enabling environment for the development of sustainable enterprises, as well as six principles that enterprises should abide by to be sustainable.

Available in: English, French, Spanish, Arabic, Chinese, German, Russian

Available at: www.ilo.org/ent

▣ Training programme "The Labour Dimension of CSR: from Principles to Practice"

Developed by the Italian-funded project "Sustainable Development through the Global Compact", this programme promotes a better understanding of the three international frames of reference in the area of CSR, namely the ILO's MNE Declaration, the OECD Guidelines for Multinational Enterprises, and the Global Compact; and at providing elements to translate the principles that refer to labour issues into action.

Available in: English, French, Spanish, Arabic

Contact the ILO Multinational Enterprises Programme under multi@ilo.org

▣ Socially Sensitive Enterprise Restructuring: How to Mitigate the Adverse Effects on Employment

This ILO-ITC training course provides participants with the knowledge and skills necessary to promote, guide, facilitate and assist socially sensitive enterprise restructuring and take measures to mitigate the adverse effects on employment and the negative impact of change on people.

More information on www.itcilo.org

Publications

  Auer, Peter et al. (2008): *Active labour market policies around the world. Coping with the consequences of globalization.* 2nd ed, ILO Geneva.

  Betcherman, Gordon; Islam, Rizwanul: *East Asian Labour Markets and the Economic Crisis: Impacts, Responses and Lessons.* World Bank/ILO

  Cascio, W.F. 2002. *Responsible Restructuring: Creative and Profitable Alternative to Layoffs* (San Francisco, CA, Berrett-Koehler Publishers)

  European Social Fund (2006) *A Test Bed For Innovative and Socially Responsible Restructuring.* Brussels, EC.

  EMCC (2007): *Restructuring and employment in the EU: The impact of globalisation.* ERM REPORT 2007

  Esser, D., & Ozoux, P. (2004) *Restructuring with Workforce Reduction – How to manage the process in a socially sensitive manner. ILO Series on Human Resource Management.* Geneva, ILO.

  Feldheim, Mary; Liou, Kuotsai (1999): *Downsizing trust. M@n@gement*, Vol. 2, No. 3, 1999, 55-67.

  Gazier, Bernard; Bruggeman, Frédéric (Eds.) (2008): *Restructuring Work and Employment in Europe. Managing Change in an Era of Globalisation.*

  Hansen (2009): *A Guide to Worker Displacement. Some tools for Reducing the Impact of on workers, communities and enterprises. Updated version from 2002.* ILO Geneva.

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  ILO Guidelines on socially-sensitive workforce restructuring, ILO Budapest, forthcoming.

  Rogovsky, N. et al. (2005): *Restructuring for Corporate Success. A socially sensitive approach.* ILO Geneva.

  Rogovsky, N.; Schuler, R. (eds.) (2007): *Socially Sensitive Enterprise Restructuring in Asia – Country Context and Examples ILO/APO.*

  Rosen, H (2004) *Labour Market Adjustment to MFA Phase Out.* Washington, DC., World Bank.

Sustainable Enterprise Programme

What began as a crisis in finance markets has rapidly become a global jobs crisis. Unemployment is rising. The number of working poor is increasing. Businesses are going under. Concern is growing over the balance, fairness and sustainability of the sort of globalization we have had in the run up to the financial crash. The International Labour Organization, representing actors of the real economy, that is governments, working together with representatives of employers and workers organizations, is playing its role within the UN and multilateral system to support its constituents as they seek to weather the crisis, prepare for recovery and shape a new fair globalization. The Decent Work Agenda provides the policy framework to confront the crisis.

In this series of brief publications, the ILO's Sustainable Enterprise Programme reflects on impacts of the global economic crisis on enterprises and cooperatives, provides examples of policy and enterprise-level responses, and indicates how constituents can be supported by the ILO.