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Dexia Bank (Belgium)

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Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

Introduction

This report focuses on how Dexia Bank Belgium has responded to the considerable challenges resulting from the financial and economic crisis, and how the transformation of its workforce has been managed under these circumstances. It specifically emphasises the role of the social partner organisations at different levels (European, national, local), their role in the change management process and the impact of restructuring on employment.

Dexia, the world's biggest lender to local authorities, has faced serious financial challenges in the past two years, mainly linked to unsound financial investments, leading, amongst others, to significant exposure to the problems facing the US real estate market. The group, which has received financial support through capital injections and state guarantees, has embarked on a stringent plan to transform its business and to cut costs. The company has a strong tradition of social dialogue. In addition to the background of an established collective bargaining framework in Belgium, this has arguably affected its approach towards restructuring. The strong influence of trade unions, as well as the role of national works councils, has meant that shedding hundreds of jobs has taken place in a way which has avoided involuntary redundancies, focusing instead on internal flexicurity measures such as retraining and internal redeployment.

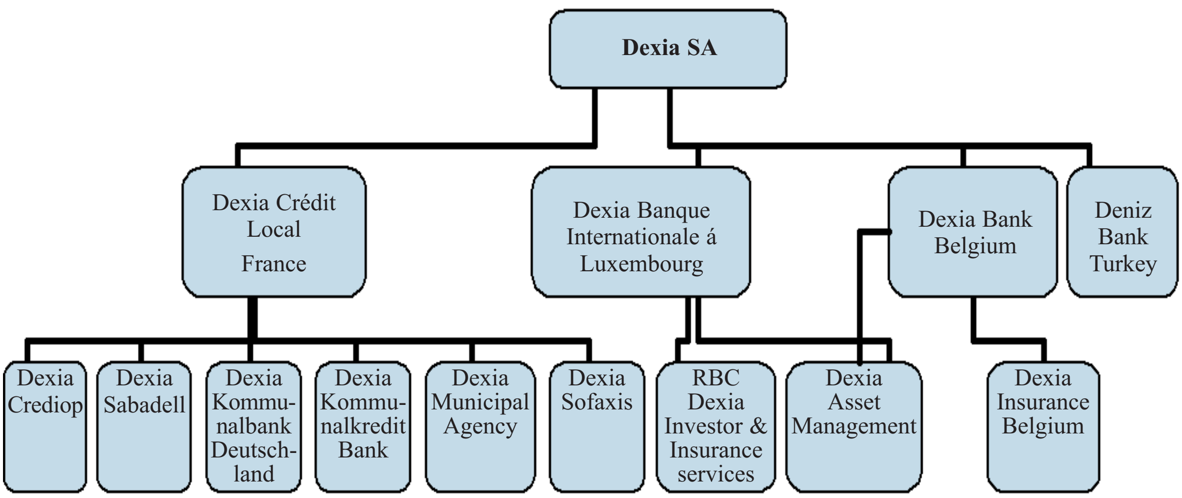
Company profile

Dexia is a large Franco-Belgian bank which provides financial services to local public sector operators as well as private and commercial clients such as SMEs. Its public and wholesale banking activities cover, inter alia, bank credit, risk management, insurance, asset management and investment advice. Retail and commercial banking services include account management, savings, credit and investment advice. The group operates primarily in Belgium, France, Luxembourg, Italy and the Iberian Peninsula. In these markets Dexia has been a key player in financing infrastructure, health and social housing.

Dexia has 36,760 employees, including those in the self-employed networks and RBC Dexia Investor Services (see Table 1). In its 2008 annual report it reported, as of 31 December, 2008, a core shareholders' equity of €17.5 billion.

A simplified structure of the group is outlined in Figure 1.

Figure 1: *Simplified structure of Dexia Group*



The large majority of employees are concentrated on the Belgian side of the group, as highlighted in Table 1.

Table 1: *Fulltime employees per subsidiary as of 31 December, 2008*

FTE as of 31 December, 2008	Belgium	France	Luxembourg	Turkey	Rest of Europe	US	Other	Total
Employees	9,268	2,506	3,207	8,035	2,420	597	1,521	27,554
Senior Executives	291	38	74	23	43	15	17	501
Other	44	12	0	0	9	14	5	44
Total	**9,563**	**2,556**	**3,281**	**8,058**	**2,472**	**626**	**1,543**	**28,099**

Source: *Dexia Annual Report 2008*

The demographic profile of Dexia's employees is rather homogenous. According to the 2008 annual report, the majority of staff members are young, with 43.1% under the age of 35 and 59.6% under 40. Women and men are equally represented and most of the staff work on a full-time basis, with 14.4% of the group's employees working part-time. The average length of service with the group among employees is 10.5 years.

Impact of the financial crisis

In 2008, the financial crisis in the US market, which peaked with the insolvency of Lehman Brothers, detrimentally affected Dexia's performance, as shown in its annual report. At the time, Dexia was considerably exposed to the US real estate market through its bond-insurance arm, Financial Security Assurance (FSA). FSA began to operate in the US market in the 1980s. According to the Dexia Report *From 2007 to 2008. Today and tomorrow* (Dexia, 2008), it was mainly involved in 'credit enhancement for municipal bonds, infrastructure projects and asset-backed securities.' However, in the autumn of 2008, the exposure to the US market, coupled with the retrenchment of interbank lending triggered a liquidity crisis at Dexia. Under these circumstances, on 9 October 2008, the Belgian government, together with France and Luxembourg, granted Dexia a €150 billion guarantee to cover institutional and interbank financing (Dexia press release 13 May, 2009) Previously, on 30 September, 2008, Dexia also received a capital injection of €6 billion from the Belgian and French governments and majority shareholders. The Luxembourg government also invested €0.4 billion in the form of convertible bonds.

Dexia eventually sold the loss-making FSA in November 2008. However, as part of the deal, Dexia had to retain some of FSA's toxic assets, which, together with the costs of the sale, contributed €3.1 billion to Dexia's losses in 2008 (Dexia, 2008).

Indeed, Dexia's 2008 annual report showed it had made a net loss of €3,326 million compared to a profit in the previous year of €2,533 million (see Table 2).

Table 2: *Overview of the financial performance of Dexia Group 2005-2008 using International Financial Reporting Standards (IFRS), as adopted by the EU*

Results (in millions of €)	2005	2006	2007	2008
Income	5,976	7,005	6,896	3,556
Costs	3,229	3,474	3,834	4,119
Gross operating income	2,747	3,531	3,062	-563
Net income group share	2,038	2,750	2,533	-3,326

Source: *Dexia Annual Reports*

As Table 3 shows, it is estimated the financial crisis cost the company €5,868 million. Excluding the detrimental effects of the crisis, the group's net income amounted to €2,543 million, down 12.1% on the figures for 2007.

Table 3: *Consolidated statement of income for Dexia Group (using IFRS)*

Consolidated statement of income (in millions of €)	2007	2008
Income/Revenues	6,896	3,556
Expenses	3,834	4,119
Gross operating income	3,062	-563
Cost of risk	163	3,292
Pre-tax income	2,892	-3,877
Net income - group share	2,533	-3,326
Impact of financial crisis	358	5,868
Net income excluding the impact of financial crisis	2,894	2,543

Source: *Dexia Annual Report 2008*

Transformation plan within Dexia Group

To address the many challenges brought about by the financial crisis, in November 2008, Dexia Group launched an extensive transformation plan targeted at three areas:

a) improving the group's risk profile;

b) refocusing on its principal business activities and markets;

c) adapting its cost structures.

As stressed by those representatives of the group's European Works Council (EWC) who were interviewed, the transformation plan seeks to reorganise the whole group and its balance sheet. The severe impact of the financial crisis has required Dexia Group to look beyond restructuring personnel only and seeks to completely change the appearance of the bank.

To meet the first objective, the group disposed of its loss-making subsidiary FSA and reorganised its activities, mainly through the centralisation of trading activities (TFM) in Brussels and the cessation of proprietary trading activities (Pierre Mariani (CEO) and Philippe Rucheton, 2009).

To achieve the second objective, the group decided to concentrate on its principal markets, in France, Belgium, Luxembourg, Turkey, Italy and the Iberian Peninsula, and to reduce activities in the UK and the USA significantly. By refocusing on its core markets and clients (in particular, public and wholesale clients), the group also decided to discontinue activities in Australia, central and eastern Europe (excluding Slovakia), Mexico, India and Scandinavia.

Thirdly, to reduce its cost base by 15% in three years, the group took measures to cut 888 jobs in the first instance, to pay no bonuses to the management and proposed that no dividend be paid to shareholders for 2008. The group had a target of €200m savings for the year 2009 and €600 million by 2011. The strategy for achieving these cuts between 2009 and 2011 will be detailed below.

Table 4: *Distribution of the cut positions per subsidiary within Dexia Group (year 2009 only)*

Country	Belgium	France	Luxembourg	Rest of Europe and Turkey	Total
Number of positions cut	359	211	96	232	**898**

Source: *Interviews with EWC members*

Legal and regulatory context

The group's job reduction plan, detailed in the following sections, did not stipulate any compulsory redundancies. Therefore, only the legislation and collective agreements that do not relate to enforced job losses are outlined here.

For Belgian companies, employment relations are regulated by a three-tier system:

1) macro-level tier encompassing the legal provisions (e.g., the Act of 3 July 1978 regarding employment contracts);

2) meso-level tier represented by collective agreements (signed at the inter-sectoral, industry and sectoral level, regulating minimum wages, working time or pay increases);

3) micro-level tier represented by works agreements concluded at company level between a union delegation (*Délégation Syndicale*) and company management.

These three levels are complementary. The national inter-sectoral agreements (e.g., *Convention collective de travail n° 17 du 19 Decembre 1974*) usually set a general framework, whilst the sector-level agreements stipulate more detailed provisions (EMIRE, 2009). Agreements at company level are usually concerned with issues of flexibility, work organisation as well as early retirement measures. They usually include more generous conditions than the ones laid down in sectoral or inter-sectoral agreements.

Collective bargaining at inter-sectoral level

In Belgium, every year, the social partners negotiate a national inter-sectoral agreement that lays the foundation for the negotiation of cross-industry and sectoral collective agreements (EIRO, 2009).

The last national inter-sectoral agreement (*Projet d'accord 2009-2010*) was concluded at the end of 2008 covering the period between 2009 and 2010 (Commission paritaire pour les banques, 2009). In the context of the economic turmoil, the national inter-sectoral agreement 2009–2010 introduced new provisions to increase net salary (to improve workers' purchasing power), indemnities for travelling to the workplace, and tax incentives for employers recruiting long-term unemployed individuals (Perin, 2009).

In the negotiation of collective agreements, (LENTIC) employees are represented by three trade union federations, the Confederation of Christian Trade Unions (CSC/ACV), the Belgian General (Socialist) Federation of Labour (FGTB/ABVV) and the Federation of Liberal Trade Unions of Belgium (CGSLB/ACLVB). With a membership density of 60% trade unions are key players in Belgian industrial relations (Perin, 2009).

CSC/ACV and FGTB/ABVV have by far the highest rate of membership. Furthermore, the two union federations usually retain the highest number of seats in works councils, with approximately 57% seats secured by CSC/ACV and approximately 33% secured by FGTB/ABVV (Perin, 2009). These two unions are also the most strongly represented on the works council at Dexia Bank Belgium.

The Belgian Federation of Employers (FEB/VBO) is the cross-sectoral representative on the employers' side. It is the main national employer organisation in Belgium, representing 33 sectoral employer federations. FEB/VBO is authorised to negotiate collective agreements and can be involved in mediating industrial disputes related to restructuring.

Collective bargaining at sectoral level

Building upon the national framework of collective bargaining, the sectoral agreements are concluded by joint committees (*commissions paritaires*) consisting of the main trade unions and employer representatives in that sector. Such agreements are also binding and, according to the European Industrial Relations Observatory, they cover 96% of the country's workforce (Perin, 2009).

Sectoral agreements can cover various issues from pay and early retirement benefits to assistance for unemployed workers and working time. In the finance sector, Febelfin is the Belgian Finance Federation which represents the interests of all financial institutions, including Dexia Bank Belgium

Collective bargaining at company level

Collective agreements can also be concluded at company level by union representatives and the employer (EIRO 2009; interviews with employee representatives at Dexia). Union delegations, also known as Shop Stewards' Committees, represent only the unionised employees of the company and were originally established under the National Collective Labour Agreement (Triangle, 2004). The union delegation is involved in the implementation of social legislation, collective labour agreements, individual contracts, as well as individual and collective disputes. The delegation also has the right to be informed in due course of any changes in the agreed working conditions. Furthermore, the delegation is entitled to make proposals to prevent or mitigate the negative consequences of a restructuring plan on employees.

Transformation plan at Dexia Bank Belgium

Provisions of the social plan

In the context of the Transformation Plan launched across the entire Dexia Group, the local management of Dexia Bank Belgium, together with employee representatives at the bank, signed a special social plan on employment measures in case of company restructuring, reorganisation, automation or computerisation (*Convention collective de travail fixant un cadre d'accompagnement pour la mobilité fonctionnelle, géographique et les mesures de départ en cas de restructurations*).

The above mentioned works agreement concluded between the management, the union delegation of Dexia Bank and trade unions (LBC – NVK, FGTB, CGSLB) in 2009 provides the background for understanding the employment measures implemented in Dexia Bank Belgium as part of the transformation plan. Most importantly, the works agreement pertains only to the groups of employees at risk during the implementation of the transformation plan, for example, the employees whose positions will no longer exist due to the restructuring, re-organisation or automation of activities between 2009 and 2011. Some provisions therefore do not apply to all employees at Dexia Bank Belgium as they are considered only short-term ‘recovery measures’. For example, the agreement provides for early retirement measures for workers made redundant during the interval 2009–2011. Such early retirement measures are no longer available to the rest of the bank employees, having been scrapped a few years ago.

The agreement stipulates that the following employment measures would be implemented during the transformation plan:

Retraining and redeployment at Dexia Bank Belgium

According to the works agreement employees, notified that their jobs are being scrapped, have two months to make a decision regarding their future: whether to re-train for alternative positions, or to opt for early retirement or outplacement.

The first measure considered by Dexia Bank Belgium for these employees is re-training and redeployment. An internal job centre had already been established by Dexia Group in 2002 to offer opportunities for redeployment because the group, in common with other banks in Belgium, favours internal mobility of its own staff over external recruitment or outplacement.

The bank’s management told members of the national works council in Belgium on 30 January 2009, that the job centre would be revamped to address the current needs of the many employees affected by the three-year transformation plan.

The 2009 works agreement stated that employees affected by job cuts should:

- be given priority when vacant positions become available;
- have access to adequate training programmes and an individual development plan;
- be given individual support. Each ‘priority employee’ is allocated a contact person within the job centre who will ensure regular meetings with the HR department to assist them in finding a new position. HR representatives provide support by job profiling, and training. The results of an initial assessment will feed into a training programme which takes into account the employee’s skills as well as the available jobs within the Dexia Bank Belgium.

Those employees, who following the loss of their job had to take a lower position, will be able to take advantage of a development plan to help them attain a higher-level vacancy.

According to the agreement, the entire process cannot take longer than six months. The decision whether or not to take up the re-training and redeployment is voluntary and is the result of talks between the employee and their line manager (with the decision validated by the HR department). In principle, any new roles offered to employees should be at a level similar to their previous job. A working group made up of employees and employers is responsible for monitoring the training measures as well as the success of internal redeployment.

The HR department has the duty to inform and consult the works council (as well as the working group about:

- the number of vacant positions per division;
- which vacant positions are open to external recruitment;
- the type of contract held by employees affected by job reduction;

- the number and profile of employees using the job centre;
- the number of employees who voluntarily chose to be redeployed.

The cost of the job centre, including that of assessment, training and redeployment are borne by Dexia Bank Belgium.

Early retirement and part-time scheme for older employees

The social plan provides for two types of early retirement. These apply only to employees who are threatened by job loss due to the restructuring plan. Other employees of Dexia Bank Belgium can no longer claim early retirement. This was scrapped in 2006 by the management as it was considered costly and that it led to the premature loss of experienced employees. The only exception is for employees of the former Crédit Communal de Belgique/Gemeentekrediet van België, who could claim early retirement until the end of 2009. Many employees of this sector took advantage of this, contributing to the job reduction target set for 2009.

Bridging pension

The contractual bridging pension is regulated by Collective Agreement No. 17 of December 19, 1974. According to this agreement, employees aged 58 or above and with a service record of at least 35 years (for men) and 30 years (for women) can opt for early retirement. In this case, employers have to pay a supplementary allowance on top of the unemployment benefit. The national agreement specifies that the supplementary allowance is calculated as half of the difference between the employee's net salary and unemployment benefit. The net salary considered in the calculation of the bridging pension cannot exceed €3,800 (any salary higher than this threshold is not taken into consideration).

However, the agreement concluded in the banking sector in 2009 provides for more favourable conditions, with employers having to cover 95% of the difference between the net salary and unemployment benefit (Commission paritaire pour les banques). In addition, in line with their company-level agreement, the employees of Dexia Bank Belgium benefit from even more generous early retirement allowances. This allowance is paid until the retirement age of 65.

Partial retirement

Employees aged 53 and over and whose job has been scrapped as a result of the transformation plan can opt for a partial retirement measure that keeps the employee on the payroll and reduces his/her working time. In this case the redundant person continues to receive 50% of his/her last take-home pay (as well as 50% of the holiday and Christmas allowance) until they reach the legal retirement age (*Convention collective de travail fixant un cadre d'accompagnement pour la mobilité fonctionnelle, géographique et les mesures de départ en cas de restructurations*). Similar practices can also be found in the banking sector in other continental European countries.

Severance payment

Employees facing redundancy who do not wish to take up the training offer and who wish to leave the company are entitled to a severance package calculated on the basis of the Claeys formula (see below). The social plan tops up the statutory severance pay.

Redundancy pay for white-collar employees in Belgium is based on payment in lieu of their notice period. More specifically, the statutory minimum period of notice for white-collar employees earning less than €28,580 per annum is three months per period of five years' seniority (European employment law clinic). For employees earning more than €28,580 per annum, a 'reasonable' notice period (or payment in lieu) must be given.

As of 2008, the Claeys Formula (Claeys & Engels, 2008) is calculated as follows:

> *(0,87 x Length of service) + (0,06 x Age) + (0,037 x Remuneration/1000 x index 2007/index month of dismissal) - 1,45*

Dexia's social plan provides for more favourable conditions for example, the indemnity calculated on the basis of the Claeys formula is increased by 25%. In addition, the redundant employee receives one month's pay for each year of service with the company.

Outplacement and external training

In 2007, the social partners involved in the banking sector agreed to establish a sectoral outplacement agency that could assist redundant employees aged 45 and over. Dexia's works agreement goes much further than the stipulations in the sectoral agreement, providing more favourable conditions for all staff.

More specifically, Dexia Bank Belgium collaborates with an outplacement agency called Federgon, which provides redundant employees with:

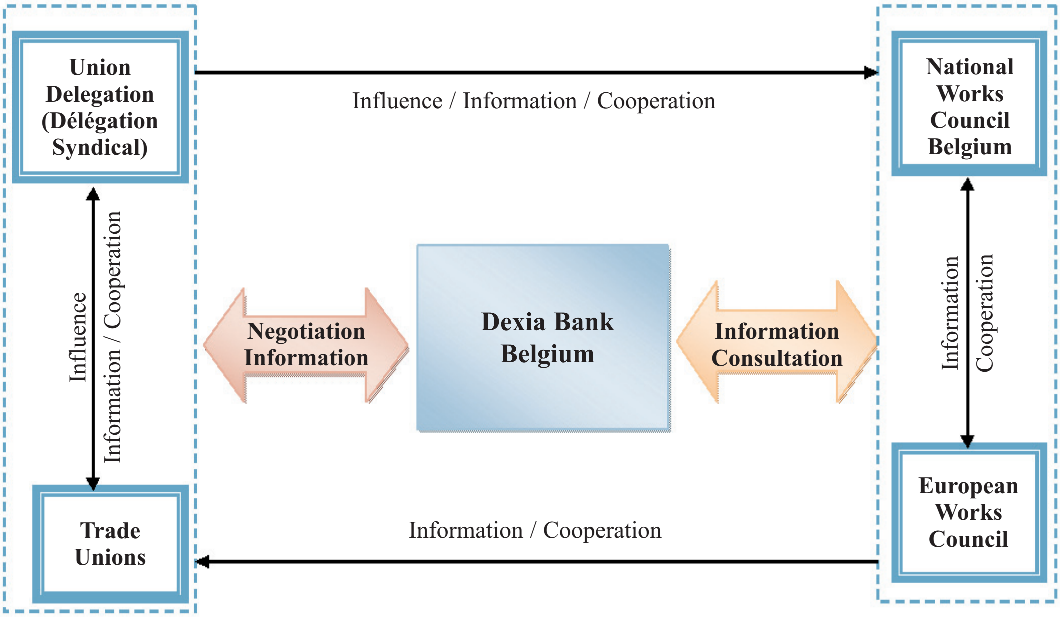
1. professional and psychological counselling with the aim of identifying new career objectives and opportunities in the labour market;
2. help with job search, application and CV writing;
3. logistical and administrative support during the preparation for outplacement.

The costs of outplacement are supported by Dexia Bank Belgium and the above-mentioned services are available to redundant employees for 12 months. If a redundant worker finds a new job during this time but is made redundant again within three months from the moment of starting the new job, then they are entitled to re-use the services of the outplacement agency for another 12 months, with the financial support of Dexia Bank Belgium.

The role of social partners at Dexia Bank Belgium

There are several key participants involved in collective bargaining at Dexia Bank Belgium: the union delegation, trade unions, works council, EWC and the management. The relationship between these stakeholders is shown in Figure 2.

Figure 2: *Key stakeholders involved in the negotiation and implementation of the transformation plan*



Union delegation

As mentioned above, Union Delegations or Shop Stewards' Committees represent only the unionised employees of the company (Triangle, 2004). The union delegation is involved in the negotiations of labour agreement, the implementation of social legislation, collective labour agreements, individual contracts, as well as individual and collective disputes at the company level.

In the case of Dexia, the members of the union delegation are roughly the same as the members of the national works council, described below. In Dexia Bank Belgium the union delegation, which has 22 members, can ask for trade unions to intervene in more difficult negotiations, but this rarely happens at Dexia as the union delegation is generally well prepared and willing to lead negotiations with the management.

Works councils

Under Belgian law, companies with more than 100 employees are required to elect a works council that represents the interests of all employees - both trade unionists and non-unionists - as well as the employer.

The national works council at Dexia is presided over by the CEO of Dexia Bank Belgium, Stefaan Decraene. Trade unions are represented on the works council proportional to the size of their membership in Dexia Belgium. There are 13 members from ACV-CSC (11 members from LBC-NVK, the Dutch-speaking union, and two members from CNE-GNC, the French-speaking union), 10 members from BBTK and two from ACLVB.

In Belgium, although the union delegation is a decision-making body, the works council is primarily an advisory structure that has the right to be informed and consulted on a regular basis about any issues relevant to the company's workforce. This includes the financial situation of the company, productivity, restructuring plans, working time and (re)training measures. The works council has limited decisional powers in matters of employees' working conditions.

European Works Council

Dexia Group, established in 1996, has had a European Works Council since 24 June 1996 under the agreement concluded between the management of Crédit Communal and Banque Internationale à Luxembourg and the staff representatives of these institutions. The agreement was amended in 2003 in light of Crédit Communal, Crédit Local de France and Banque Internationale à Luxembourg becoming part of the limited company.

In line with EU legislation, the EWC at Dexia is an advisory and consultation body, competent to discuss with the company's management any major transnational issues affecting employees and working conditions.

All important subjects relating to the company's reorganisation, acquisitions, or cessation of activity must be subject to a process of information and consultation. However, small-scale restructuring/transformation affecting only one national business unit without impact on other business units does not have to brought to the attention of the EWC; instead it would be dealt with locally with the works councils of each national subsidiary or business unit.

All Dexia subsidiaries present in the EU Member States and candidate countries are represented on the EWC.

Internal regulations of the EWC Board within the Dexia Group allow for seven members to be elected by a majority of votes at either a preparatory or a plenary session of the EWC. They are chosen from among the permanent members of the EWC for a period of two years. Furthermore, they must belong to a trade union that is a member of UNI. The EWC board usually meets the group management every month.

According to the EWC Enlarging Agreement from 25 June 2003, two seats are attributed to each of the companies which established the EWC back in the 1990s and represent the main business lines of the Group, i.e. Dexia Bank, Dexia BIL and Dexia Credit Local, a total of six mandates out of seven. The seventh mandate is attributed to a permanent member of the EWC from another subsidiary including one of the four business lines. The internal regulations of the EWC mean that it is chaired by the Chairman of the Management Board of Dexia.

The remaining 27 permanent seats are allocated according to the following formula:

Table 5: *EWC: Attribution of seats*

Number of employees	Seats attributed	Total
150-999	1	1
1,000-1,999	+1	2
2,000-2,999	+1	3
3,000-3,999	+1	4
4,000-4,999	+1	5
5,000-6,999	+1	6
7,000-9,999	+1	7
10,000-14,999	+1	8
More than 15,000	+1	9

Source: *The Enlarging Agreement dated 25/06/03*

The EWC convenes three times a year in ordinary session at the request of the EWC chairman, who sets the date, venue and agenda in collaboration with the secretary of the EWC. One of these three sessions is dedicated to human resources issues. In addition, extraordinary meetings are organised to cover important extraordinary issues such as Dexia's transformation plan.

The EWC is, in principle, provided with information before the formal communication of any restructuring/ transformation plan to other stakeholders. The information and consultation process can last for several months and run over several sessions.

Implementation of the transformation plan: timeline and outcomes

The transformation plan announced by the management of Dexia Group in November 2008 has been organised in two stages.

- The first stage – which covers the plan for 2009 – was subject to information and consultation in early 2009.
- The second stage – which will unfold between 2010 and 2011 – was subject to information and consultation in autumn 2009. In both stages, the EWC was informed and consulted.

First stage of the transformation plan (2009)

The EWC board, which meets with the group management every month, was informed about the first stage of the transformation plan on 30 January 2009. The communication stated that 888 jobs within the entire group were to be cut; however it was emphasised that no involuntary redundancies were planned by the management at that time. One trade union representative emphasised that, in Belgium, such measures are costly and understandably unpopular. The level of job security is generally high and the model of consultation and negotiation between the management and the trade unions is well established in Belgium, providing the opportunity to negotiate alternative solutions.

On 10 March 2009, the EWC issued its own statement, expressing concern about the financial difficulties of the group (European Works Council Dexia, 2009). The EWC members urged the management to consider only voluntary redundancy measures. The statement also mentions that the management has properly informed and consulted with the EWC representatives throughout the process.

The EWC also made several recommendations:

- The management should inform the EWC about negotiations with European subsidiaries that do not have a EWC representation within Dexia Group. Upon their request, the EWC can subsequently provide assistance and advice in compliance with the EWC's stated rules.
- Measures to enhance internal mobility and training should be implemented to assist staff due to lose their jobs as a result of the transformation plan.
- The principles of Dexia's social charter should be fully complied with, in particular the amendment to the charter regarding the social criteria for the selection of a potential buyer in the event of ownership transfer. Dexia's social charter encompasses a set of principles of socially responsible management formally adopted by the management during the European Works Council meeting of 25 June 2003. The set of rules pertain to social dialogue, employment relations and mobility and apply to all workers in the group who have a contract, regardless of the business unit (Principles of Social Management at the Dexia Group, 2002).
- In-sourcing should be used, whenever possible, to replace outsourced activities.

- Legal provisions should be treated only as minimum requirements during the transformation plan.
- The management should continue to provide employee representatives with information on a monthly basis during the EWC Committee meetings and periodically at each general assembly of the EWC.

Immediately after informing the EWC, every national works council (in Belgium, Luxembourg and France) was provided with relevant information for their country. In Belgium, trade unions are automatically notified through their union members who sit on the works council in Dexia Bank Belgium.

Table 6: *Reduction of positions – first stage of the transformation plan (2009)*

Country	Belgium	France	Luxembourg	Rest of Europe	Total
Number of positions affected	359	211	96	232	**898**

Source: *Interviews with EWC members*

No direct dismissals were carried out across the entire Dexia Group. The implementation of the transformation plan and its impact at the national level is currently subject to an ongoing dialogue at national level in line with national information and consultation arrangements. As the union delegates in France emphasised, the European Work Council tends to play a minor role in restructuring processes, being limited to information and consultation. It is mainly involved in the transnational economic aspects of the restructuring, whilst the social impact of restructuring is negotiated and dealt with at the national level.

Drawing upon the available information, the types of measures used to reduce the workforce, together with the number of employees affected are outlined in the table below.

Table 7: *Types of job reduction measures used in the subsidiaries affected by the transformation plan*

Country	Measures used to reduce workforce and number of employees
Belgium	Re-training and internal mobility: 211 employees Early retirement at age 58: 22 employees Part-time retirement for workers aged over 53: 54 employees Redundancy and severance payment following the Claeys formula: 72 employees
France	An initial national redundancy plan targeting 211 positions was rejected by the national works council in early 2009, leading to new proposals to be tabled in June 2009. To date, the following measures have been implemented: Geographical and functional mobility measures: 120 employees (43 functional mobility, 51 geographical mobility and 26 both functional and geographical mobility) Redundancy and severance payment in line with national provisions: 40 employees.
Luxembourg and rest of Europe	No information available to date

According to the statement issued by the EWC on 10 March 2009, employees working in the treasury and financial markets units (TFM) as well as public and wholesale banking (PWB) were most affected during the first phase of the transformation plan. These business lines were transformed with the aim of enhancing their commercial efficiency and to optimise support functions (Dexia, 2009b). The bank claims that employees who lost their jobs were mainly low-skilled administrative staff with outdated skills, unsuited to the technological changes. On the insurance side of Dexia Bank Belgium though, all employees were affected, from management to low-skilled workers.

In Belgium, around 60% of the employees affected by the first round of job cuts have been retrained and redeployed. According to the EWC, only a few employees who did not take early or partial retirement have not found a new position in Dexia Bank Belgium. One main challenge however remains: the employees trained, or scheduled for training, tend to have skills that are too low for the positions available. On the other hand, according to the works agreement, employees are entitled to similar positions with similar salaries which makes it even more difficult to find jobs for the low-skilled.

Despite certain difficulties in the national negotiations on the implementation of the transformation plan, EWC members consider that the group is on target to achieve the job reductions projected during this phase. There were other factors beyond the current social plan that helped to meet the target. First, Dexia rapidly took the decision to slow or even to suspend recruitment in the group's main operations. Furthermore, a significant number of employees took advantage of an early retirement measure.

Second stage of the Transformation Plan (2010–2011)

Dexia's European Works Council (EWC) chaired by Pierre Mariani, CEO, convened in September 2009 in Brussels to review the transformation plan. With the view to changing aspects of the retail and commercial banking (RCB) as well as the insurance business, management announced its intention to cut 602 posts in the next two years (2010–2011), in addition to earlier plans to shed 888 jobs in 2009. It was stated that 445 of the jobs to go would be in Belgium, 14 in France and 143 in Luxembourg. (Dexia, 2009c)

There has been some uncertainty regarding the second stage of the transformation plan. In March 2009, the European Commission opened an in-depth investigation into the restructuring of Dexia with the view to scrutinise the effects of state aid on competition (European Commission, 2009). Meanwhile, the bank needed to demonstrate its financial viability and continue its restructuring efforts. Although there is no direct link between the reduction of jobs announced in early 2009 and the EC investigation, it was acknowledged that the EC might demand that Dexia shrinks its balance sheet and make further divestments which could ultimately impact on human resource decisions and the nature of restructuring (with the possibility of no longer being able to avoid compulsory redundancies).

In February 2010, the European Commission's published its decision regarding the extension of the aid guarantee granted to Dexia by the Belgian, French and Luxembourg governments (Dexia, 2010). This deal will require Dexia to implement further cutbacks including divestment of Dexia Crediop, Dexia Sabadell and Dexia Banka Slovensko over the next three years.

In response to the announcement of the second round of the transformation plan, the EWC submitted a statement to Dexia's management (and the EC) in November 2009 as part of the consultation process (*Avis plan de transformation des filieres COEE 19 novembre 2009*) Similar to the position taken in March 2009, the EWC opposed any direct dismissals that the second round of the transformation plan might bring about. The EWC also expressed its concern regarding the possible consequences that the decision of the European Commission might have on Dexia's workforce. Furthermore, the EWC urged management to limit the number of employee transfers and consider alternative measures as transfers are considered by some to lead to significant brain drain from certain parts of the business, which can negatively affect performance. The management was also advised to set up a body responsible for monitoring the socio-psychological aspects of the transformation plan and the well-being of the staff.

According to recent news in the Belgian press, the trade unions involved in Dexia Bank Belgium rejected the proposed plan for the second round of 602 job reductions (L'echo, 9 September 2010). Instead, they wish to re-open negotiations and sign a new social plan. According to the Belgian works council, employee representatives are concerned that the increasing centralisation of functions and decision-making within the holding company is reducing autonomy for decision making in different organisations and business units. They are also concerned that the transfer of staff leads to damaging loss of expertise and experience.

Conclusions

Dexia, the world's biggest lender to local authorities, has suffered the consequences of the global financial crisis as a result of its exposure to the troubled US real estate market and the overall downturn in economic performance which resulted for the financial crisis. Facing serious financial challenges, the bank received state aid which obliged the management to make explicit plans to improve the bank's liquidity and risk profile. Consequently, at the end of 2008, Dexia announced its objective to reduce its cost base by €600 million by 2011, of which a €200 million reduction was to be achieved in 2009. As a result of a ruling by the European Commission on the state aid received by the bank, further retrenchment and divestment will be required. The company's transformation plan raised concern among employee representatives about retrenchment and potential job losses. However, so far more than 800 jobs have been cut without involuntary dismissals. Instead the company has focused its efforts on achieving natural workforce reduction through recruitment freezes, internal flexicurity measures such as retraining, function and geographical mobility and redeployment, as well as making use of early retirement measures.

Although fewer figures are available about the nature of change management measures at a national level outside Belgium, the information obtained indicates that between 50–60% of staff affected have been able to benefit from internal flexicurity measures, primarily involving retraining and functional and/or geographical redeployment. In Belgium, this was facilitated by the works level agreement signed in 2009 at Dexia Bank Belgium, which ensured strong support would be offered to employees.

It could be argued that the strong involvement of the trade unions in these decisions meant that provisions at Dexia protected employees against direct dismissals and provided effective accompanying measures. The company also has a strong tradition of social dialogue and social responsibility.

Nevertheless, the case study highlights some of the challenges faced by companies committed to keep workers in employment during economically difficult times. The most affected employees subject to retraining tend to be low skilled whilst banks increasingly demand specialised employees, particularly in legal and risk management areas. Furthermore, according to many works agreements, employees are entitled to similar positions with similar salaries which makes it even more difficult to find jobs for the low-skilled.

A considerable number of employees left on early retirement measures that were put in place during restructuring, despite the fact that partial/early retirement options were previously scrapped by the company, being considered too expensive, leading to a brain drain and generally counterproductive considering the context of demographic change and possible future staff shortages. This raises important policy questions, as early retirement measures tend to be popular and the re-introduction and/or significant use of such schemes can again lead to raised expectations among other staff that such 'benefits' should also be available to them. In general, the use of such schemes runs counter to the general efforts in Europe to limit such schemes.

Dexia's transformation plan and its consequences for the workforce are still subject to discussion; there is some uncertainty over the question whether the policy of no compulsory redundancies can remain a reality, particularly when the management and European Commission have just brokered a deal that involves further cutbacks. This aspect is of particular interest, not least to trade unions concerned about the potential impact on human resources of a decision taken at this level.

Finally, as is the case with many instances of international restructuring, this again highlights the essentially limited role which can be played by European Works Councils. Although, in this case, it was emphasised by EWC representatives that information and consultation was provided for in a timely fashion, the EWC Directive (at least prior to its recasting in 2009) provided only relatively weak consultation rights at this level. The extent to which this will be strengthened by the revisions to the directive remains to be seen in reality, but despite these, it remains clear that detailed negotiations on the implementation of transformation plans – even where they are agreed by an essentially transnational holding entity – will continue to take place at national level, meaning that the benefits offered to employees in different countries will vary.

It is interesting to note that, in relation to increasingly centralised nature of decision-making, the Belgian trade unions at Dexia are expressing mounting concern that this can – in their view – lead to ignoring the realities of local issues. They say, for example, that the internal transfer of staff – a key element of an internal flexicurity strategy – can be detrimental to units losing such members of staff. Another consideration relates to the extent to which such transfers are 'voluntary' and the extent to which a transferred employee retains his or her salary and benefits. Although the latter is generally ensured, it appears that this cannot be guaranteed in all cases. Works Council representatives in Belgium therefore call for other flexicurity measures. In this regard it is notable that working time flexibility appears not to have been considered in this case as part of the potentially available flexicurity measures.

Annex 1: *Individuals consulted*

Name	Institution	Position	Date of consultation/interview
Luc Soete	Dexia Bank Belgium	Member of délégation syndicale de Dexia Banque Belgique and EWC	22/11/2009
Jacques Holsbeek	Retail Dexia Bank Belgium	Member of national works council (Conseil d'entreprise) and EWC	22/11/2009
Annemie Baecke	Dexia Bank Belgium	Member of national works council (Conseil d'entreprise) and EWC	22/11/2009
Elke Maes	LBC-NVK	Secretary	22/11/2009
Pascal Cardineaud	Dexia Crédit Local, Confédération française démocratique du travail (CFDT)	Dexia Crédit Local, Confédération française démocratique du travail (CFDT)	12/02/2009
Olivia Beyne	Dexia Crédit Local, Confédération française démocratique du travail (CFDT)	Union delegate of Dexia Crédit Local and member of EWC	12/02/2009

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