

Conference on Working Conditions

Workshop II

The RAG/DSK Case in Germany

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Regional Context – the Ruhr district I



Regional Context – the Ruhr district II

Structural Change is ongoing

- Until the 1960s the coal, iron and steel industries were the strongest and almost only economic sectors in the Ruhr district
- Deteriorating import prices for coal and oil lead to rapid changes
- In the middle of the 1980s more than half of the labour force already worked in the field of services
- Today 81 % of the employed population works in the tertiary sector and just 18 % in the manufacturing industry
- large companies (Thyssen-Krupp) have heavily rationalized or closed down (Nokia, Opel) while small and medium-sized enterprises are expanding

Basis for further action and main players:

→ Mutual adoption of a common agreement on February 2007:

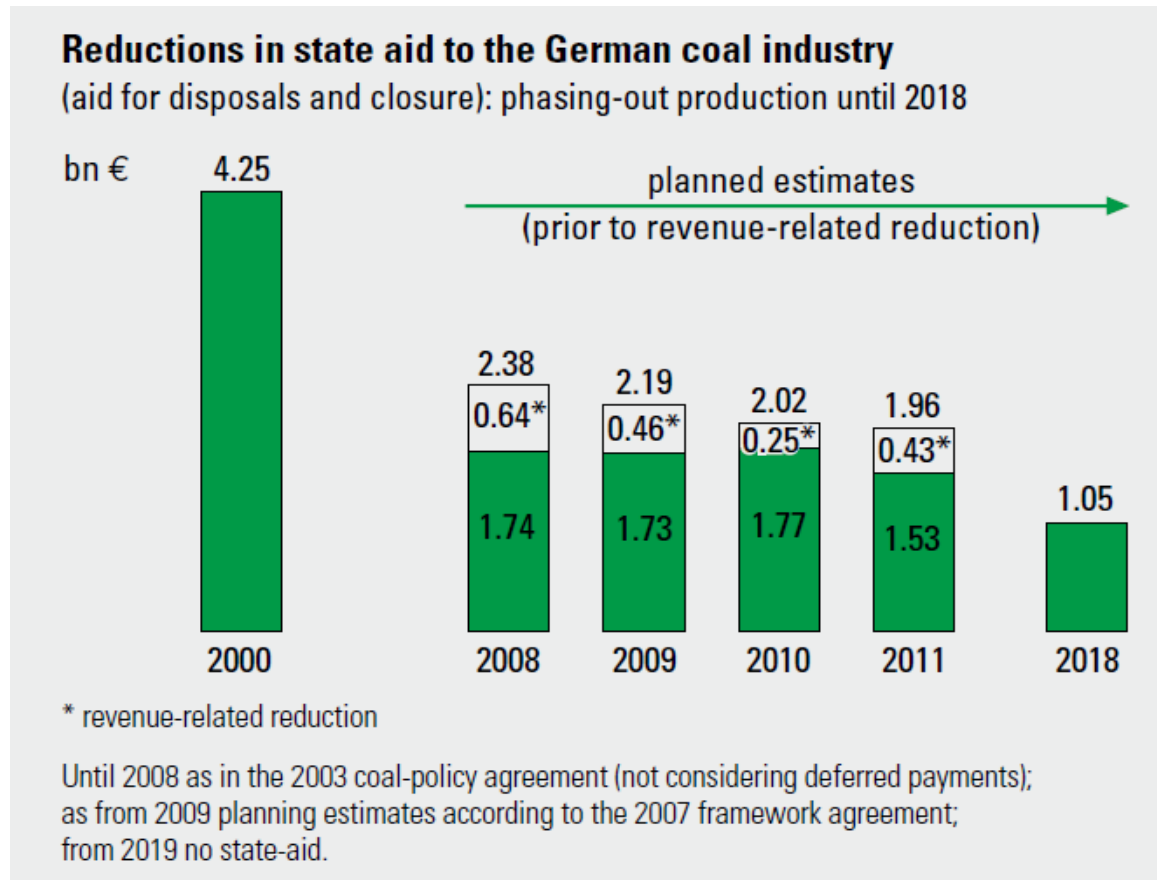
“Key points of a coal policy agreement between the Federal Republic of Germany and two states, the employer (RAG Deutsche Steinkohle AG) and the trade union IGBCE”

The Company: RAG Deutsche Steinkohle AG (RAG/DSK)

- Largest German coal mining corporation
 - 2007: Restructuring: The business areas of chemicals, energy and real estate are transferred to the new business entity Evonik Industries AG
 - the newly established RAG Foundation serves as “umbrella” of Evonik and RAG/DSK and is the sole shareholder of RAG/DSK
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- The RAG Foundation is responsible for phasing out subsidized coal mining in a socially acceptable manner
 - It uses corporate profits to finance costs that arise due to former mining activities

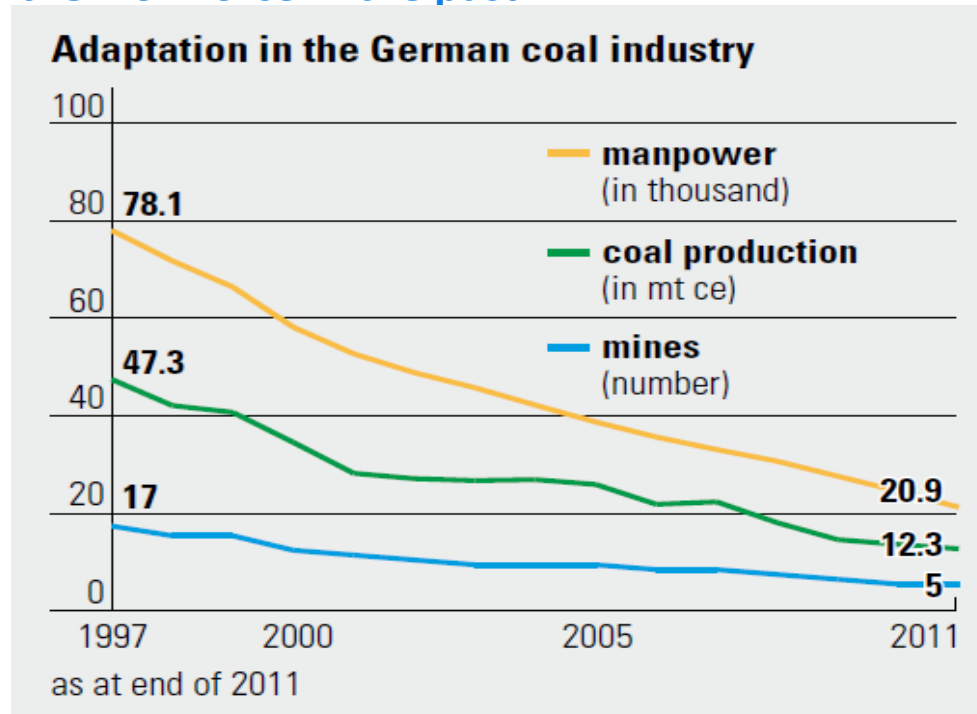
Characteristics of the restructuring I

Background: Finishing the subsidized coal mining process



Characteristics of the restructuring II

Downsizing of the workforce in the past



Ca. 50,000 people have left the RAG between 1997 and 2007

- 21,000 age related departures
- 1,300 spin-offs
- 7,000 self-motivated leakage
- 23,000 have been encouraged and mediated to new employment outside coal industry

Characteristics of the restructuring III

Strategic Anticipation

→ The decision to finish activities in 2018 forces the social partners, suppliers and the region to act.

Promoters on the local and regional level

➤ Related to the decision of closing various coal mines the RAG invited quickly to join briefings at the local sites

Example: The Future of “Bergwerk West” in Kamp-Lintfort

➤ 2008: Initiation of the “Mine West Master Plan” by the city of Kamp-Lintfort

➤ 2011: Launch of a broad participation & communication process by the city regarding the redevelopment of the former mining area

➤ Creation of developing plans by German & Dutch scientists, consolidation of these concepts is in process

Characteristics of the restructuring IV

Operational Anticipation

→ Foremost priority is to ensure that the downsizing process is conducted in a socially responsible manner.

Accompanying measures of restructuring:

- **Adjustment bridge until retirement**

- Employees who work underground, at least 50 years old and lose their jobs due to closure or rationalization by 2018

- **Internal staff relocation**

- Transfer to other sites as a result of the mine closure program
- A total of 3,130 staff relocations are expected to be completed between 2012 and 2018

Characteristics of the restructuring V

Table: Further tools used for socially acceptable reduction of workforce

Instrument	Explanation
Employability-Pool	Employees which are open to change/job transfer will be recorded in the pool, measures will be agreed individually, income is paid during transfer period
Business start-up	See above, focusing on support services for self-employment
Development-Pool for human resources	Qualification for the acquisition for other tasks within the group
Craft initiative / familiarization training	Up to 6 months of „trial period“ to learn more about jobs outside the industry. The concerned employees remain legally at RAG, but receive transfer money and a RAG grant including tariff benefits such as wage and salary compensation

Characteristics of the restructuring VI

Table: Further tools used for socially acceptable reduction of workforce (continuation)

Instrument	Explanation
Qualification	Employees will be qualified for up to 3 years to acquire promising jobs outside the industry – see above for transfer benefits
Change of status	In the adjustment process related to the mine closures, a shortage of underground personnel occurs. Personnel on the surface should be recruited for underground work with compensations.
Studies	Financial support for academic studies
Flexibility assistance – Reintegration guarantee in case of failure	RAG provides employee flexibility and transitional assistance. In case of failure in the new profession, there is the commitment to reintegrate the person

Effects of the restructuring

- **The direct negative impact of mine closures is largely absorbed due to the high experience, the tools used and responsibility of all stakeholders**
- **A time slot has been opened up that allows municipalities to design local development plans and to reorient local and regional potentials in a proactive way.**
- **The information policy of the RAG, political actors and employee representatives can be considered as exemplary to other restructuring cases**
- **This case differs from most other restructurings, e.g. due to the political influence, but it covers the contents of concept “Restructuring Anticipation” up to the best.**