

# FROM WORK TO WORK: THE MARKET OF OUTPLACEMENT

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## 1. Abstract

'Working longer' is one of the key ideas behind the generation pact (2006). In this context, both the Government of Flanders and the Federal Government focus heavily on outplacement as an instrument to prevent early retirement, and this has led to various rules on the use of outplacement in reorganisations and bankruptcy. In addition, the federal government decided late 2007 to introduce a broad obligation for employers to offer outplacement guidance to all laid off employees over the age of 45.

Despite all the political attention, there is little information about outplacement. This study is the first to outline the outplacement market in Flanders: it will show the user profile, outplacement offices and contractors, market operation, content and results of outplacement. In the process, it continuously checks the impact of the (activating) legislation. The results are then put into an international perspective. Based thereon, the study will make a number of suggestions for the future development of outplacement in Flanders.

### **Key words:**

work to work transitions; outplacement; Public Employment Service; quasi-market

## 2. Objectives

Outplacement is being given an increasingly prominent role as an instrument in the activation policies of both the Federal Government and the Government of Flanders. However, there is very limited knowledge about the size of the outplacement sector, the operation of the outplacement market, the content and results of outplacement, as well as about the impact of the policies on these aspects. This study will seek to answer the following research questions:

1. Which quantitative and qualitative developments are taking place on the demand and supply side of the outplacement market in Flanders?
2. How does the outplacement market operate and which factors particular to this market stimulate/impede the use of outplacement?
3. Which target groups participate in outplacement, what is the content of outplacement and what are the results?
4. What are the effects of the policy framework on the use (volume), content and results of outplacement?
5. How can the future development of the outplacement market in Flanders be structured, taking account of experiences in other countries?

### *Clarification of key concepts*

Outplacement is the set of services provided in the context of individual or group support for employees who have been made redundant, aimed at enabling them to find new work as soon as possible. In Belgium, the provision of such services is the responsibility of outplacement agencies. The first private providers of outplacement support have been active since the 80s. A legislative framework for (voluntary) outplacement was created in 1992 via collective labour agreement (CLA) no. 51.

CLA 51: the 1992 Collective Labour Agreement that included the first federally endorsed definition of outplacement.

CLA 82: Collective Labour Agreement of 2002 determining the right of laid-off employees aged 45 and over to an outplacement programme of at least 60 hours for a maximum period of 12 months.

CLA 82 (bis): Collective Labour Agreement of 2007, in which, following the Generation Pact, the right to outplacement of laid-off employees aged 45 and over was converted into an obligation for both employees and employers.

Re-employment Fund: this fund is charged with the funding of outplacement guidance of employees that have become redundant as the result of a company's bankruptcy or judicial composition proceedings, the legal dissolution of a not-for-profit organisation due to apparent insolvency, or severe troubles of a company.

### 3. Methods and data

The research questions shall be answered via a mixed method approach: desk research, analysis of administrative data (of the Flemish Service for Employment and Vocational Training VDAB, the Federal Employment Agency RVA and the Re-employment Fund), telephone and face-to-face interviews with organisations that use outplacement, with strategists and consultants of outplacement offices, and a web survey conducted among outplacement offices. The preliminary results and possible solutions emerging from the study were checked on the basis of an expert meeting with domestic and foreign experts.

#### *Methodological explanation*

The web survey followed a two-step procedure. A first step determined the target group population of active outplacement offices via telephone contact with 126 of the 131 recognised outplacement offices in Flanders. This yielded a response of 96.2%. Only 47 offices appeared to be active as an outplacement agency. Of this target group population, 18 offices filled out the web survey - a good result, given that the respondents included all the major offices. In terms of the number of outplacement counselling procedures, the market share of the responding companies is estimated at 98.1% of the total number of outplacement counselling procedures per year.

### 4. Findings

#### **4.1 Operation of the outplacement market**

The outplacement market can be characterised as a complex market. In the Flemish market, the commissioning body ordering outplacement counselling need not necessarily be the contracting authority, the funding institution or the organisation monitoring the process. This study focuses on the contracting authorities: the Re-employment Fund (averaging 1,000 counselling procedures per year), sectors (1,700 counselling procedures per year) and employers involved in individual or collective redundancies. Remarkably enough, since the introduction of CLA 82, an increasing number of sector funds have been assuming the role of contracting authority, funding body and quality assurance institution. As regards the actual market operation, two major tendencies can be distinguished: the downward price trend and the narrowing of the market.

More and more, the outplacement market is becoming one of fierce price competition; in some segments it is even going towards a price fighting market. Increased competition also leads to a change in the payment structure. In the past, contracts would involve one price for the entire outplacement project, to be paid by the employer in one single instalment. Nowadays, there is a trend towards modular budgets whereby payment is being made in separate instalments in accordance with the number of people under counselling in each separate phase.

A second remarkable aspect is the strong concentration in the market, despite the large number of players. Five players cover 88% of all counselling projects. Given the fact that the outplacement market is narrowing down, this concentration is unlikely to lessen. Many sectors are introducing contracts for indefinite periods and we may assume that these sector ties will also be reflected in the appointment of an outplacement office in a collective redundancy procedure. Furthermore, there is a tendency of concluding framework agreements with large companies in the scope of individual redundancy.

#### **4.2. Impact of the policy framework on the operation, volume and content of the outplacement market**

Belgium is the only country of the EU 15 that has developed a legal framework for the content of outplacement. The high complexity of the legislative framework has an impact on the operation of the market of outplacement, on the volume

of counselling procedures and on the purport and results of those procedures.

Despite the dramatic growth in the number of outplacement suppliers, the market concentration has not decreased. The three largest suppliers, all part of larger HR groups, still cover 75% of the market. The increasing number of sector-related schemes, framework agreements with large companies and the creation of (ad hoc) employment cells in reorganisations all enhance this position since there are only a few players with sufficient capacity to handle large cases.

The downward price evolution is largely the result of the current legislative framework (CLA 82bis, among others). These trends can be felt mainly in the following segments: mandatory outplacement for over-45s both in individual and collective redundancy (CLA 82bis), sector-related schemes and (smaller) dossiers of the Re-employment Fund. This evolution implies a reduction of financial resources, hence less room for additional policy activities for weaker groups with a limited outflow towards work. Particularly the segments with limited margins show a development towards increasing standardisation of the offer.

The existing lack of transparency can also be explained from legislation: the accreditation rules in Flanders allow offices to be recognised as an outplacement office without the need to be active as an outplacement supplier.

The introduction of CLA 82 (outplacement as a right of laid-off people over the age of 45) has had little impact on the volume of the market. Between 2002 and 2005, only 400-500 laid-off workers over 45 in Belgium received outplacement counselling (in accordance with CLA 82). However, the 2007 conversion of a right into an obligation (via CLA 82 bis) has indeed pushed up the volume considerably and even caused the number of outplacement counselling procedures to double between 2006 and 2007 (from 1,585 to 3,454). Despite this marked growth, there are also strong indications of considerable non-take-up. It must be noted that the obligation to offer outplacement to people over 45 did not enter into force until December 2007, whereas the figures in this study relate to 2007. A follow-up measurement in 2008 is therefore necessary to monitor the non-take-up in the obligatory segment and to check whether the obligation works or not. The explanation can largely be found in factors at a macro level, such as dismissal legislation and the early retirement pension, both labour market institutions that fall under federal competence.

The federal and Flemish legislation seem to contradict one another with respect to the content of outplacement. According to the 1999 Flemish Parliament Act, outplacement is a type of employment service, whereas a comment to CLA 51 explicitly states that it is not. Since the Flemish Parliamentary Act is a higher law from a legal point of view, outplacement must clearly be considered as a type of employment service in Flanders. However, this has not been settled in practice. Flemish policy-makers increasingly look at outplacement as an activation instrument and seek to push the outplacement offices more towards results (i.e. outflow towards work). This view is not commonly shared in practice yet. Several players emphasise the identity of outplacement counselling, whereby psychological guidance and self-analysis form a crucial part of the services offered. The sector is increasingly using the CLA 82bis outplacement programme as a point of reference - not only for the over-45s, but also for younger employees. Middle management staff are thus increasingly being offered a CLA 82bis instead of the CAO 51 commonly offered in the past. For higher profiles, this implies a degradation of the offer. Lower positions that were not likely to qualify for outplacement counselling before the introduction of the generation pact, are now indeed being offered a counselling package, so for them, the situation has improved. Because the structure and intensity of outplacement counselling are more or less fixed in the scope of CLA 82bis, competition mainly takes place through price. Due to the downward price trend (as a result of increased competition, sector schemes, etc.), some outplacement offices also try to reduce prices by changing their counselling methods, particularly by offering group outplacement rather than individual follow-up. Quite often there is insufficient financial capacity for individual counselling.

Laid-off employees who qualify for early retirement pension are obliged to take a six months' outplacement counselling programme (which includes financial compensation via an 'allowance for cooperation'). For this target group, some outplacement offices created an alternative programme with more focus on their personal situation (and less on the search for a new job). Although this is at odds with the intentions of the Generation Pact, given the lack of work motivation it seems an understandable implementation of the counselling procedure. The results of this study show a very limited chance of outflow to work after outplacement for this target group. This means that the objective to get a larger number of older employees to work by compelling candidates for early retirement to participate in outplacement, is only marginally achieved.

## 5. Conclusions and policy implications

### 5.1 The finality of outplacement

The finality of outplacement has become a field of tension recently. Flemish legislation considers outplacement to be a type of employment service, whereas federal regulations explicitly state that it is not. This points to a need of harmonisation about the finality of outplacement at a Flemish and federal level. In this context, a distinction can be made between the mandatory segment (employment cells, CAO 82bis 45+) and the voluntary segment. For the latter segment it seems logical that the content of the counselling programme would form the subject of an agreement between the employer who voluntarily purchases the counselling programme and the outplacement office.

In practice, we also see the tension field at a Flemish level: the visions of the Flemish government and the outplacement branch don't always seem to match. Flanders considers outplacement as an activation instrument and focuses on (quick) matching and placement. It pays less attention to psychological digestion processes and self-analysis of laid-off workers, or to making them more resilient. The question is in which direction Flanders wishes to take the outplacement issue: will outplacement be narrowed down to a type of (regular) labour intermediation and thus become a source of additional counselling capacity for jobseekers, or will Flanders also recognise the unique aspect of outplacement that, in addition to (quick) placement, involves making people more resilient and giving them a stronger position in the labour market? The option to narrow outplacement down to a placement service seems in stark contrast with the importance attached to (external) employability at a Flemish and European level. Therefore, one might also think of a dual finality of outplacement: making employees stronger and more resilient and guiding them towards a suitable long-term job. Depending on the target group, this could be subject to various implementation methods: one is to hand laid-off employees the tools to find a job, hence without actively taking part in the placement process; the other, particularly aimed at the weaker target groups, would let the outplacement

office also handle actual placement of the laid-off employee. Whichever option is chosen, the final goal would remain a suitable long-term job.

## **5.2 Increasing transparency in the outplacement market**

From the perspective of the contracting organisations, the outplacement market in Flanders is not very transparent. From this point of view it seems advisable that the government would provide the contracting authorities that must comply with the outplacement obligation with a few helpful tools. To increase transparency, one could think of a form of 'golden pages' of outplacement offices that would include all the *active* outplacement offices, their contact details, region of operation, offer and target group(s). In a second phase, these golden pages could also contain information about the individual performance of the companies involved. The development of these 'golden pages' should be made known to a broad public.

## **5.3 The quality of outplacement**

The Generation Pact and CAO 82bis added a mandatory segment to the existing 'voluntary' segment in the outplacement market. Taking account of its mandatory character (not every employer will show high involvement in the wellbeing of the employee he dismisses), the steep competition and the decreasing price trend, it seems important to pay attention to the follow-up and quality of outplacement in this segment. At present, the mandatory segment consists of a complex set of quality and follow-up requirements. Streamlining and synchronising these requirements at a Flemish and Federal level seems advisable in order to realise a reduction of administrative and transaction costs. This again requires an unambiguous vision on the final goal of outplacement (see above). As regards monitoring, it is recommended to focus less on processes and fundamental provisions and more on the desired results of outplacement. More specifically, one could think of the extent to which the dismissal has been psychologically processed, in how far the laid-off jobseeker has appropriated the tools and hence has become more resilient in the labour market, and particularly, the extent of his satisfaction with his new job. This implies a more prominent place of the end user in the quality debate on outplacement.

## **5.4 The future of outplacement**

Although this study was (as yet) unable to display all the effects caused by the introduction of mandatory outplacement schemes, such as chance of participation; chance of outflow; characteristics of the work found and satisfaction of the persons in a counselling programme, it did provide a few: outplacement has become accessible for target groups that were excluded from this type of counselling in the past, and laid-off employees are receiving rather intensive guidance immediately after their dismissal (contrary to the preventive action offered by the VDAB). Despite these positive effects, there are still many factors that form an obstacle for the effectiveness of outplacement and hinder the growth of a differentiated market.

In order to: (1) promote better control and improve insight into results; (2) achieve higher uniformity in monitoring and report obligations, and (3) realise more transparency in the outplacement market, there is a need of a central regulator in the outplacement market. This can be defined as an independent body that will assume the role of centre of expertise in the market, draw up rules, streamline the market, safeguard quality and provide transparency. For Flanders, there are two concrete options in this respect: the first is to assign this role to the VDAB in the scope of its conductor's role. Since it already plays the part with respect to collective dismissal, an extension to the entire spectrum of the collective consultation would make sense. The question is, however, whether there is sufficient broad support for this suggestion at present. Another option would be to follow the Netherlands in allowing the outplacement branch to become self-regulating. Given the mandatory nature of the system in Belgium for both employers and employees, this is a less obvious solution. Regardless of which body will assume the regulating task, modulation of the monitoring and reporting obligations is desirable in concordance with the use of public resources. Particularly in the segment of individual dismissal, this is very often not the case.

Finally, outplacement is currently mainly perceived as an instrument to prevent early retirement. But it could also be placed in the context of the broader employability policy, which would imply increased participation of the under-45-year-olds. The introduction of a right of outplacement for people up to 45 years of age would, however, have too high a financial impact on companies. Therefore, we would rather suggest incentives to promote the use of outplacement, for instance by offering companies the option to include outplacement in employment contracts as an additional legal benefit (in line with hospitalisation insurance). This would also create awareness among HR policy-makers in companies for anything that might promote employability... Here, too, broader participation requires deregulation to enable flexible programmes suited to the (younger) target group.

*Full reference of study report(s) and or paper(s) and other key publications of the study summarised here*

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