

# Effects of restructuring at regional level and approaches to dealing with the consequences

## Arc International, France





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## **Abstract**

*Arc International (formerly Verrerie Cristallerie d'Arques) is a French manufacturer and distributor of household goods, operating in the manufacture of glass and glass products sector. It has 12,000 employees throughout the world and 6,000 in France. The main production plant and headquarters are located in the rural area of Arques, in the French Nord-Pas-de-Calais region. It is by far the main employer in this employment area and one of the biggest companies in the region. The restructuring event analysed here started in 2004 and still had not been completed by the beginning of 2014.*

*Almost 6,000 jobs were lost between 2004 and 2013, but instead of forced redundancies this was done through voluntary departures or pre-retirement measures. In quantitative terms, this has been a major restructuring in the French industry, but it has not had the same visibility or impact in the media as other company restructurings, such as those in the automotive industry. Indeed, the Arc International experience is a painful though exemplary case, characterised by strong cooperation between the company and private and public actors in the area in order to limit the effects of the restructuring at local level. Nevertheless, in 2014, the economic situation of the company is still critical, and the measures initiated to deal with the consequences of the restructuring may have reached their limits.*



## Regional and company-specific context

### Main characteristics of the region

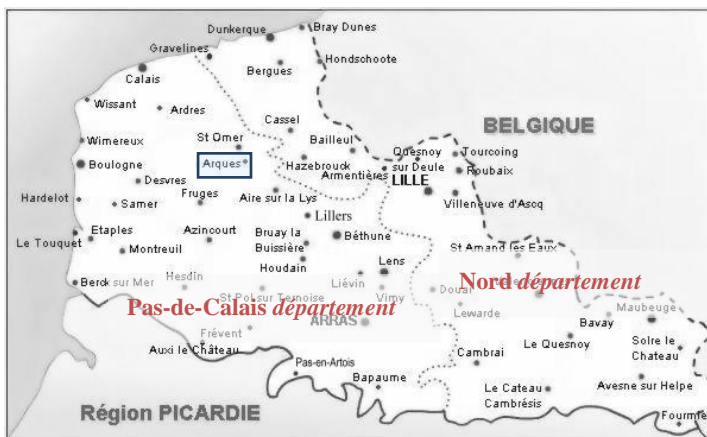
The Nord-Pas-de-Calais region is located in the northern part of France. It has 4 million inhabitants (ranked fourth of all French regions, with 6.5% of the national population) and its size is 12,000 km<sup>2</sup> (ranked 19th). In terms of GDP, in 2007 the region was ranked fourth in the country (€96 billion), but only 20th out of 24 when considering the GDP per inhabitant (€24,000 versus €29,500 on average in France).

The region's economic structure is historically linked with the sectors of textile and coal production. Both have been severely impacted by the economic changes in the second half of the 20th century. Today, the regional industry is led by the automotive sector (around 55,000 employees). The industrial sector (including construction) represents 22% of the economy. The agricultural sector is still quite dynamic and is associated with a leading food industry. The service sector (75%) leads the economy, in particular in the sectors of transports, supply chain, trade or health.

There are 1.5 million employees in the region (5.9% of the active French population). The unemployment rate reached 14% by the end of 2012, compared to 10.2% for the rest of the country. The regional employment rate was equal to 12.8% in 2011. The rate of long-term unemployment is systematically above the national average.

In this case study, we analyse the impact of the restructuring of Arc International, a manufacturer and distributor of household goods in the sector of glass and glass products, on the employment area Saint-Omer (*pays de Saint-Omer*), which has 120,000 habitants. Arc International is based in the small city of Arques (9,000 inhabitants), close to the Belgian border. Historically, Arc International has always recruited very locally, in the cities around Arques, in the Saint-Omer area and 50 kilometres around the Nord-Pas-de-Calais region.

**Figure 1: Main location of Arc International: Arques, Nord-Pas-de-Calais region**



The employment area where Arc International is located had 44,200 employees in 2010 (11,500 in the industry). In 1998, there were a total of 41,900 employees, of which 15,200 worked in the industry. The industry has lost 25% of its workforce over the period.

One of the characteristics of the Saint-Omer area is its dependency on a few large companies, including Arc International, and activities that have been linked to it, in particular paper and cardboard or transport. The employment area is by far the most concentrated and most specialised economic area of the region. For the Saint-Omer area, the share of the glass industry and that of the transport sector are particularly prominent. This factor is not compensated by other factors, such as the presence of qualified employees. The area is characterised by the highest proportion of (blue-collar) workers in the Nord-Pas-de-Calais region: 21% of skilled workers (compared to 16% in the region) and 14% of unskilled workers (12% in the region).

## Main features of the company

Arc International (formerly Verrerie Cristallerie d'Arques) is a French manufacturer and distributor of household goods in the sector of glass and glass products. It is a group composed of several subsidiaries representing 11,600 employees throughout the world and 6,000 in France in 2013. The main production plant and headquarters are located in Arques.

It is the main employer of this employment area and one of the biggest companies in the region. In 2013 it was the eighth largest employer in the region and the seventh largest industrial site in France in terms of the number of employees; it used to be the third largest one when it had more than 10,000 workers.

The company was created in Arques in 1825. Known as the 'Verrerie Cristallerie d'Arques', the company flourished after 1945, benefitting from the support of the Marshall Plan. The company became the market leader in tableware, that is, glasses, plates and so on used as table setting. The 1980s was a decade of international expansion (see below). In 2000, the company changed its name to Arc International.

The company has always been very innovative, from the first half of the 20th century until today, in particular in automating glass production. Fragile by nature, the industrialisation of its production has always been a challenge. Nevertheless, in 1968, the Cristallerie d'Arques was the first plant in the world to automate the production of crystal. New materials have progressively been invented, such as transparent glass, opal glass or tempered glass.

The history of Arc cannot be dissociated from the history of the family who has owned it since 1916. For more than six decades, from 1927 to 1990, the company was managed by the same person, Jacques Durand, who made Arc International into an industrial world leader. The capital has always been owned by the family (as of 2014, by Jacques Durand's widow and his children).<sup>1</sup> For a long time, many of the key positions have been occupied by members of the family, but this is not the case anymore. Being a family company is certainly one of the key elements in the way the restructuring in the decade from 2000 to 2010 proceeded.

Another key element that helps to understand the approach behind this restructuring is the paternalistic management developed by Jacques Durand during his presidency of the board and his strong attachment to the region of Arques. This is why the social consequences of the successive restructurings have always been taken into account in all the processes.

The company has progressively expanded abroad in order to win new markets. Its presence in the US dates back to the 1960s through the development of a sales subsidiary followed by the establishment of a plant in the early 1980s. In the 2000s, the group set up plants in China, the Emirates and Russia. This international development, called regionalisation, is one component of the restructuring process analysed in this case study. The logic behind this international development is for the company to be closer to new markets and to produce locally for these markets – hence the role of international divisions that have been progressively created. These divisions are directly managed from the French headquarters. In 2010, around 30% of the group's turnover came from emerging markets.

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<sup>1</sup> In 2014, the company is looking for new investors because of constant financial difficulties. This may result in the end of the family ownership.



**Table 1: Arc International companies worldwide, 2012**

Company	Setup date	Location	No. of employees
<b>Arc International France (AIF)</b>	1825	Arques (France)	5,880
<b>Durand Glass Manufacturing Company (DGMC)</b>	1982	Millville, New Jersey (USA)	862
<b>Arc Glassware Nanjing (AGN)</b>	2003	Nanjing (China)	1,119
<b>Arc International Middle East (AIME)</b>	2004	Ras al-Khaimah (UAE)	1,520
<b>Arc International Cookware (AIC)</b>	Bought 2006	Châteauroux (France)	510
<b>Opytny Stekolny zavod</b>	2011	Gus-Khrustalny (Russia)	1,183

Source: Arc International (2012)

The group's turnover reached €1 billion in 2012. Five million items are manufactured every day around the world.

## The restructuring event

The restructuring at Arc International after 2004 has been one of the biggest ever in France. However, it has not had the same visibility or impact in media as other social plans, such as those in the automotive industry. Indeed, the Arc experience is a painful though exemplary case. Almost 6,000 jobs were suppressed between 2004 and 2013, but instead of forced redundancies this was done through voluntary departures or pre-retirement measures. Nevertheless, in 2013, the situation was still critical.

## Background and drivers

The background of the restructuring is that of a well-performing company, which was – and still is – the international leader in its market, namely that of tableware. The company has experienced constant and important development in the last decades (it had around 2,000 employees in the 1960s) and has been a pioneer in automating some activities, like crystal glass production. However, the arrival of new competitors on the international scene has been a challenge for the company. Its organisational model had to be questioned, as it quickly became evident that it was not suitable in face of the company's many challenges. The Arques plant counted nearly 11,000 jobs in 2002, including a lot of internalised activities, corresponding to a comprehensive, paternalistic model.

In October 2004 the announcement of the first social plan came as a surprise, even though, retrospectively, anyone could have foreseen that the business model was not sustainable any longer. The year before, in 2003, the group experienced the first deficit in its history (€33 million), and this despite a turnover of €1.13 billion. This was the first emergency signal that opened a period of a long and massive restructuring, which is still not finalised yet today.

Competitiveness is the main driver of the restructuring. Arc International is a group that exports about 80% of its production. In 2004, the then CEO raised the following arguments to justify the measures.

- There has been a series of changes in the market. For example, there has been a 50% drop in the sale of crystal goods in five years. Furthermore, retail prices have decreased by 21% in 10 years in France.
- New competitors are arriving in the market. These new producers, principally located in China or Turkey, have increased their exports to Europe by more than 50% over the last five years. Their fabrication costs are much lower than those of Arc.
- The dollar has considerably weakened after 11 September 2001, which means euros are much more expensive, which penalises exports (from 2001 to 2003, the value of the euro increased from US\$0.80 to US\$1.20).

Other drivers can also be emphasised. Some hazardous strategic choices in the years before restructuring were made, in particular the purchase of several companies in the retail chain in order to implement a strategy of vertical integration. Jacques Durand's successor, his son Philippe Durand, who took over as head of the group in 1990, decided to enlarge the scope of activity. He wanted to develop activities in the retail chain and not be limited to industrial production. The group purchased several wholesalers in Europe. It also tried to develop in the luxury sector with the purchase of Salviati (which owns the famous Murano glasses) and Mikasa (then the number two glass manufacturer in the US). However, the American market was badly hit by the 9/11 attacks in 2001 and the expansion project was totally compromised. This project to expand beyond the industrial core of business was stopped when Philippe Durand died in 2007 and the successors reoriented the company on its core activity of industrial manufacturing.

This resulted in the progressive externalisation of a lot of activities. The Arques factory was a model of very comprehensive integration – it used to include many different activities, such as platurgy, cardboard, cleaning, maintenance, even the farming of vegetables for the canteen, which was characteristic of the paternalistic management developed by the founder, Jacques Durand. This very large integration of activities explains how the company had up to 12,000 employees in the past as well as the centrality of the company on the local labour market. However, this model has proven to be unsuitable for the ongoing changes on a globalised market.

In the early 2000s, the company chose to develop its production abroad and to invest in new factories. This globalisation had been impacted by international relations. For example, an international embargo on Iran put a brutal halt to the company's expansion strategy involving an investment in the Ras al-Khaimah, aiming to increase production in the Middle East market.

Moreover, the markets have been transformed on the supply side by the arrival of new companies located in low-cost countries, while on the demand side, consumers' tastes are changing. This latter point explains why the crystal market had plunged in these years,<sup>2</sup> impacting one of the company's flagship products.

## The restructuring process

The restructuring process has followed several phases. As of early 2014, it is still not finalised. In 2012 the third social plan came to an end, but in October 2013 a new CEO was appointed and new measures have been taken to gain competitiveness. In 2014, the company is looking for new investors. Since there is not enough perspective to analyse the very recent changes, or at least announcements since the arrival of the new CEO at the end of 2013, we will concentrate on the 10 years of restructuring from 2003 to 2013.

### Chronology of events, 2003–2013

**2003:** First deficit (€33 million) in the history of the group (despite a turnover of €1.13 billion).

**October 2004:** First restructuring plan at the Arques plant, including productivity measures (objective: to gain 26% in four years), the regionalisation of the production, the reduction of production by 80,000 tons within four years and the suppression of 2,659 jobs from 2006 to 2008.

**April 2005:** The works council and some unions approve an agreement (the first 'method agreement') on the process of restructuring and the 2004 social plan until the end of 2008.

**October 2005:** The first 'revitalisation agreement' between Arc International, the state and local authorities, which cost the company €4.8 million.

**April 2008:** The second agreement between unions, workers' representatives and the company. Social measures were pursued and 962 job suppressions were scheduled.

**October 2008:** The second 'revitalisation agreement' (€3 million covered by the company).

**November 2008:** First recourse to short-time working.

**2009:** Deficit of €33 million. The crystal furnace in the Blaringhem site was shut down.

**2010–2011:** Better results, increase in the production (250,000 tons).

**2011:** Third 'method agreement' and a new social plan. Objective: the suppression of 451 jobs.

**2012:** Deficit of €3.7 million. Reduction of turnover by 11%.

**2013:** The debt amounts to €500 million. Short-time working, first concerning 1,900 employees, then more than 5,000. New CEO appointed in October. No social plan announced, as the company can no longer pay for social costs. End of the 'regionalisation' approach. This implies that in 2014, all the factories of the group will be in competition with each other. New discussions open with the state (special loans and specific measures to be implemented to support the company and to maintain jobs).

### *Main actors, their interests and motivation*

The restructuring process has involved the company, the employee representatives and the unions with regard to the elaboration of specific company agreements, but also the state and local authorities in the framework of the revitalisation agreements. This case study illustrates joint commitment based on advanced social dialogue.

In the beginning, the company board decided to restructure. In line with the legislation, the decision to run a social plan was announced to the works council in October 2004, which was informed and

<sup>2</sup> In particular because of the revelation of the presence of lead in the crystal composition.

consulted. Contrary to the usual method followed by most companies, the social partners of Arc International (that is, both the management, the unions and the employees' elected representatives) chose an alternative methodology, which is described in the box below.

### Method agreements on restructuring

The French legislation on collective redundancies focuses on information and consultation of employee representative bodies. This procedure is supposed to trigger a dialogue between the employer and employee representatives (works councils in companies with more than 50 employees) in order to examine the economic reasons for the proposed job cuts and the social measures provided by the employer in the framework of a social plan, or more precisely, an employment safeguard plan (*Plan de sauvegarde de l'emploi*, PSE). This procedure is compulsory for any company with more than 50 employees that cuts more than 10 jobs. It forces the employer to respect certain timelines and gives some rights to the works council, in particular the right to appoint an external advisor who will be paid by the company and of course the right to give an opinion. Nevertheless, this procedure has many drawbacks. The dialogue with the employees' representatives is often reduced to the formal procedure of information and consultation, which does not mean there is any obligation for the employer to follow the works council's position or recommendations. Moreover, the procedure is often characterised by the fact that the social plan measures are the ultimate solution for the company. Very often, then, this procedure is not based on anticipation and does not really promote genuine negotiation.

In 2003 and 2005, two laws defined a possible alternative that gives more weight to negotiations between the employer and representative unions. These laws have provided for the possibility to enter into so-called method agreements (*accords de méthode*). These agreements include the possibility to negotiate on the 'method' on which the information and consultation is based, for example negotiating a time schedule that is longer than what the law stipulates. The agreement can also include alternative proposals to management projects and the content of the employment plan (see Didry and Jobert, 2011).

Through three successive method agreements, social partners at Arc International have decided to implement the restructuring process. This means that a bigger voice has been given to unions and workers' representatives than what is usually the case. The restructuring has been based on negotiation (resulting in the agreements) and anticipation (a key element of the first agreement was to announce a time plan of four years).

The aim of the company board has been to establish a large and massive social plan with not a single forced redundancy. The 2004 agreement entailed that around 1,700 jobs were to be suppressed from 2006 to 2008, mainly through pre-retirement and a voluntary departure programme (as well as externalisation or transfer measures). This *zéro licenciement* approach is actually a misuse of language, as all jobs suppressed correspond to a collective redundancy and because legally, the contracts of all employees leaving the company for a new job were broken.

What is important here is the strong social commitment, which corresponds to a shared point of view between social partners. This commitment has been made by the management from the outset due to their attachment to the local area. From the beginning, the then owner and founder, Jacques Durand, made it clear that he did not want to proceed to any forced redundancies, but that it was nevertheless necessary to engage strong restructuring measures to adapt the company.

The 2004 method agreement was signed by the employer and four trade unions: the Autonomous Union, the Confédération Française Démocratique du Travail (CFDT), the Confédération Française de l'Encadrement-Confédération Générale des Cadres (CFE-CGC, a white-collar union) and the Confédération Française des Travailleurs Chrétiens (CFTC). Two unions did not want to sign the agreement: Force Ouvrière (FO) and the Confédération Générale du Travail (CGT). These two unions are not keen on signing any agreement that results in job suppressions.

A follow-up committee of the restructuring was set up after the 2004 agreement. It was composed of:

- four members of the works council;
- two appointed representatives of each trade union;

- one member of the company's occupational health service;
- one member of the company's social service bureau;
- five representatives of the management.

Its role was to follow up the implementation of the agreement, in particular regarding workers' social support. Through this committee, elected representatives of the works council and union members became real stakeholders of the process.

This shows that from the elaboration of the restructuring measures to their follow-up, employees' representatives and unions have been closely associated to the process. According to the company, around 800 consultation procedures concerning the restructuring took place between 2004 and 2012 (Arc International, 2012). This shows the intensity of social dialogue in the company.

### *Anticipation, planning and preparation measures*

While 'classical' collective redundancy schemes usually have very short-term objectives and introduce immediate measures, the agreement signed in 2004 had a longer-term perspective. The job suppression measures were scheduled to take place from 2006 until 2008. In summary, the restructuring plan can be seen as being quite anticipatory.

From an economic perspective, the first plan aimed at restoring the company's competitiveness. The 2004 agreement stated that gains of competitiveness by 26% had to be achieved in the French sites in a four-year period (that is, a reduction of production costs by 26%). A series of measures were taken to achieve this objective, including closing production ovens by 2006 and suppressing nearly 2,700 jobs from 2006 to 2008. These measures were accompanied by an investment plan of €150 million in the period 2004 to 2010, which was covered by the company. This investment plan illustrates the will of the group to maintain the activity in France.

Following the same approach and using the same tools, social partners later negotiated two further agreements for the next period:

- a second method agreement in 2008 for the period 2009 to 2010;
- a third method agreement in 2011 for the period 2011 to 2012.

Each of these three agreements actually corresponds to the negotiation of a new collective redundancy plan with the associated measures dedicated to employees leaving the company. Each time, the commitment to no forced departures has been the major guideline.

### *Implementation and management of the restructuring process*

In 2004, 2,659 jobs were to be suppressed for the period 2006 to 2008 (that is, more than 15% of the then workforce). In 2008, the second plan announced the suppression of 962 jobs (13% of the workforce). In 2011, the third plan entailed 451 job suppressions, which represented more than 7% of the staff.

Given the aim of avoiding any forced departure, the successive agreements between the employer and the unions have established a method that combines pre-retirement measures, transfer measures and various incentives to leave the company, for instance to create a new business.

The first restructuring plan in 2004 developed a method that was reused in the 2008 and 2011 plans. Both its economic and social contents can be summarised as follows.

#### **Adaptation measures and new investment plans to transform the economic model:**

- The 2004 plan launched the so-called regionalisation process, which entailed transferring activities to plants abroad (in the US and Saudi Arabia) dedicated to the regional market. The goal was to be closer to the markets and also to protect the group from exchange rate volatility. The American plant would produce products for the Northern American market; the Saudi plant for the Middle East, Asia and South America; and the French plant for the European market. In addition, the French plant is the only one that produces 'special' glass items (in particular, crystal). This implied the closure of several furnaces in the French sites, which had been producing for markets outside of Europe.

- An investment across all sites worldwide of €150 million was planned from 2004 to 2010 in order to keep a leading position. The investment was for the adaptation of the industrial material.
- A programme for competitiveness was introduced, implying organisational and managerial changes, in particular the introduction of just-in-time production, the automation of certain duties, the reduction of the number of items produced, the development of R&D and a new definition of the marketing.

**Social support for employees:**

- 1,700 pre-retirement departures were scheduled in the 2004 agreement. At that time, pre-retirement measures had to be negotiated with public authorities. The pre-retirement scheme concerned employees aged over 55. From the age of 55 to 56, the pre-retirement allowance would be paid by the company; from the age of 57 up to 65, the allowance would be paid by the state according to the agreement between Arc and the state. The beneficiary of the measure also receives severance pay.
- Internal mobility measures corresponded to several incentives for voluntary workers, either under the form of a financial allowance or hours off, to change job within the company.
- Several initiatives were taken for external mobility. First, financial incentives were given to Arc employees to create their own business. They are called ‘spreading’ (*‘essaimage’*) incentives. They include financial aid to cover the necessary training (maximum €5,000) and technical assistance to help build the project (on economic, legal or administrative aspects). The beneficiaries of the measure also get severance pay (equal to at least €23,000 in 2005, €20,000 in 2006, €18,000 in 2007 and €15,000 in 2008). In addition, once this new business is started, if the former employee creates new jobs within 40km that go to former Arc employees (leaving the company under the voluntary departure programme), then each job will be subsidised by €5,000 by Arc International. Second, incentives for voluntary departures were dedicated to employees aged under 55 with at least five years in the company. Some professions that are critical or where recruitments are difficult were not eligible. The measures included severance pay with a lower limit of €10,000 and the payment of training for the employee (with an upper limit). Third, redeployment measures were implemented in cooperation with the public employment service. They mainly include access to skills training and guidance.
- To offer guidance to employees with regard to their mobility projects and in particular entrepreneurship, a specific structure called the Employment and Mobility Cell was created within Arc International, staffed by three full-time advisors. According to the company’s 2011 report on sustainable development, almost 1,300 employees attended this cell between 2004 and 2011.<sup>3</sup>

Above all, the main element of the plan was that the work contracts of every worker were maintained during the period 2005 to 2008. This temporary security enabled the employees to analyse every option.

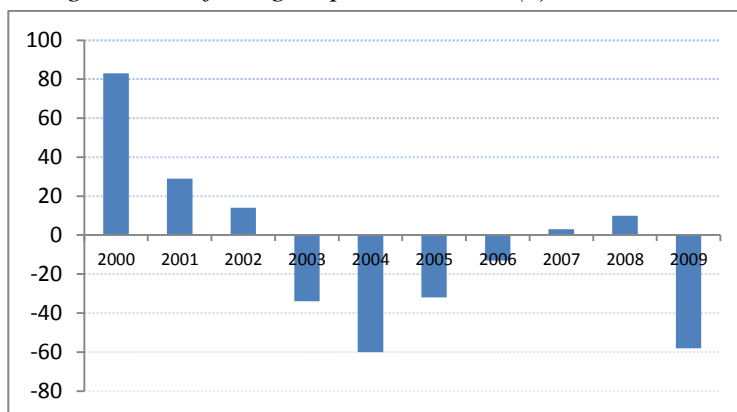
The plans in 2008 and 2011 followed a similar logic. The 2008 plan had to be modified in 2010, given the company’s bad results (Figure 2).

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<sup>3</sup> More than 1.2 million hours of skills training have been provided, 1,250 individual training leaves have been co-financed by the company and 450 employees have benefited from a formal recognition of their prior experience.



Figure 2: Net operating income of the group, 2000–2009 (€)



Source: 2011 method agreement

These modifications resulted in the reduction of some of the scheduled investments as well as in an increase of the extent of the voluntary departures programme, in particular through expanded eligibility criteria and higher allowances. For instance, an employee with between three and 10 years in the company would now receive financial aid of €24,000 if he or she finds a new job or starts their own business, compared to €13,000 in the former agreement. The aid increased with seniority.

In 2011, the third plan continued implementing measures to restore competitiveness. The objective in 2011 was to reduce production costs by 20%, and 451 jobs were to be suppressed during the period 2011 to 2012.

The plan foresaw new investments in the French site (€61 million) and the pursuit of the development of activities abroad. R&D was supported and new products were developed and commercialised.

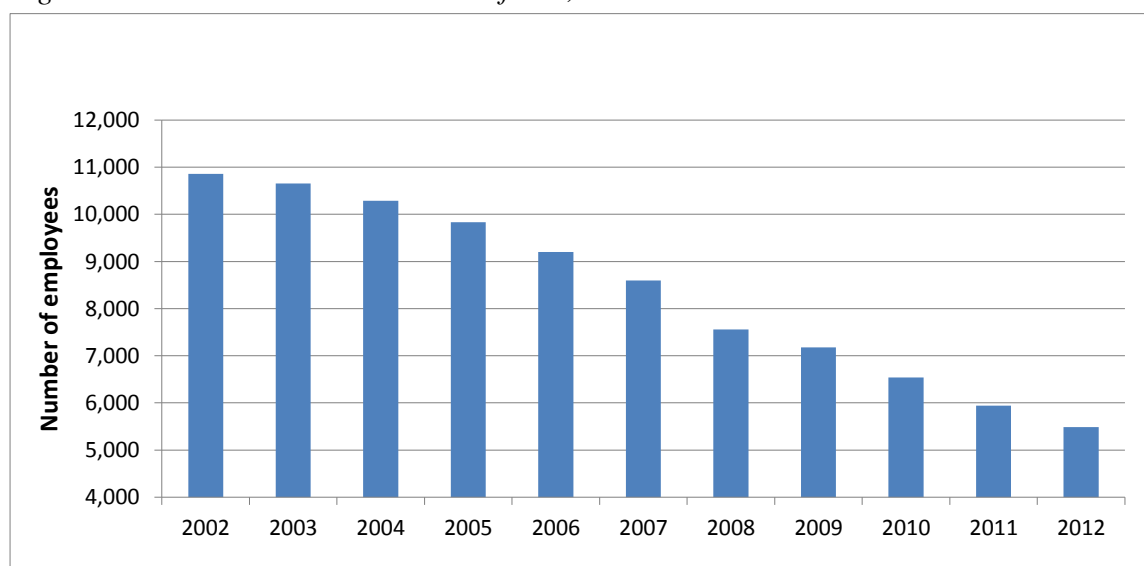
The voluntary departure plan continued to operate and was open to employees of any age with at least three years' tenure in the company. The measures to encourage external mobility are still effective.

## Effects of restructuring

### Effects on the company and its workforce

In less than 10 years, Arc International has cut more than 5,000 jobs in one single territory (see Figure 3). From 2004 to 2012, 4,800 jobs were suppressed, that is, a reduction of the workforce by 47%. The number of jobs suppressed is close to 6,000 if 2002 is taken as a starting point. In 2012, the workforce was half the size it had been 10 years ago. This is one of the biggest restructurings in the two last decades not only in the region, but in France as a whole. These job suppressions have been achieved through two main channels: first, through the three successive social plans that have been evoked so far; and second, through the progressive evolution of the company structure and organisational model, in particular with the ending of the former inclusive integration model.

Figure 3: Arc International total workforce, 2002–2012



Note: 2004–2006: –11%; 2006–2008: –18%; 2008–2010: –13%; 2010–2012: –16%.

Source: Social reports, 2004–2012

The changes have been important from an economic point of view. Some activities have been abandoned. The crystal activity has progressively been stopped. The crystal furnace that was located in the city of Blaringhem, near Arques, was shut down. The former buildings of this crystal furnace were sold in November 2013 to the local authorities. In the inner city of Arques, former industrial buildings have been destroyed, which completely transformed the appearance of this city, which has been linked to the factory for a long time.

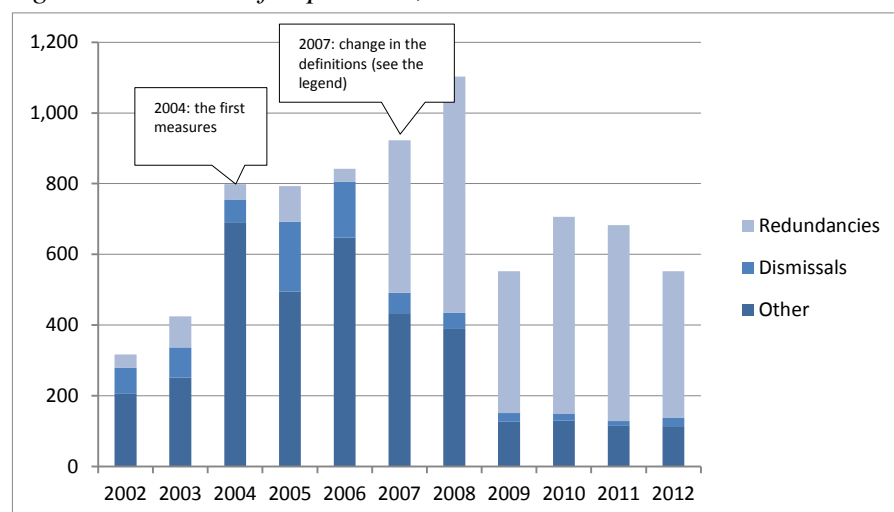
The first plan (2004–2008) was not sufficient to restore competitiveness. The expected recovery has not come. After 2009, the international economic crisis had several negative effects on the company. The second social plan (2009–2010) ended with an overstaffing. Short-time working measures were introduced to face the drop in activity after 2009.

From 2004 to 2008, 900 employees left the company on average each year (see Figure 4), while at the same time the company has continued to recruit (for instance, in 2006, more than 170 open-ended contracts were signed, but only 60 contracts were signed in 2008). These new recruitments have mainly been young and more skilled workers.

The company's social report distinguishes between the motives of the departures, but unfortunately the categories used are not precise enough. Since 2007, voluntary departures who had been considered as 'dismissals' are now considered as economic redundancies (which is more correct from the point of view of social law). Because of this change in the categories used, it is not possible to have a clear assessment of the number of workers who took pre-retirement.



Figure 4: Number of departures, 2002–2012

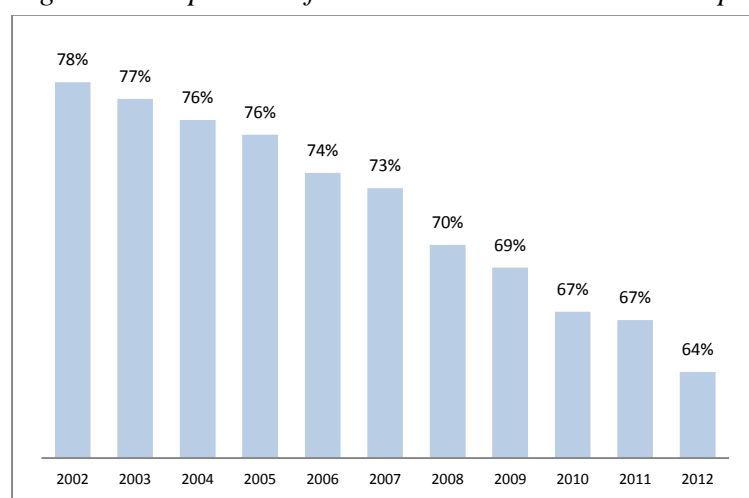


Note: The content of the three categories is that given in the social reports. Change of definition in 2007. Up to 2007, 'Other' included pre-retirement and 'dismissals' included departures in the context of the voluntary departures programme. After 2007, 'Other' includes end of contracts, retirement, externalisation or 'mutualisation', while 'Redundancies' includes pre-retirement and departures under the voluntary departures programme.

Source: Social reports, 2004–2012

Over the period of restructuring, the structure of the workforce has been considerably transformed. While the proportion of women has been quite stable at around 15% (which shows that male labour dominates in this workplace), the proportion of blue-collar workers has strongly decreased.

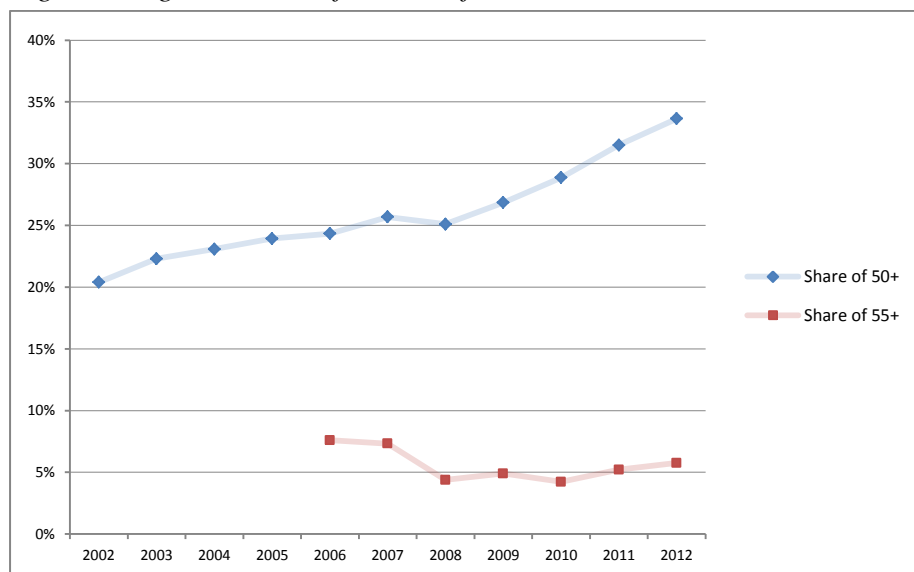
Figure 5: Proportion of blue-collar workers in the company



Source: Social reports, 2004–2012

Another transformation of the workforce is its age composition. The share of employees aged 55 or more dropped from 8% in 2006 to 4% in 2008–2010 due to pre-retirement measures. This share has slightly increased since then (it was 6% in 2012). In the meantime, the proportion of workers aged 50 and over has significantly increased, from 23% in 2004 to 34% in 2012. This is due to the reduction in hiring, but also to the fact that among the youngest employees, some might have found another job outside the company. This ageing of the workforce raises the issue of the employability of those still in the company.

Figure 6: Age structure of the workforce



Source: Social reports, 2004–2012

## Effects on the region

### Economic effects

The nearly 6,000 job suppressions at Arc from 2002 to 2012 were not the only ones that impacted the region. They were preceded by restructuring processes in two other sectors: electronics and the clothing industry. These other restructurings were independent of the Arc case.

In total, it is estimated that the Saint-Omer employment area lost 7,700 jobs from 2000 to 2010. In net terms, however, it is estimated that the final balance amounts to only about 1,000 jobs suppressed. This emphasises the fact that the region has managed to compensate most of the job suppressions thanks to a series of efficient initiatives and to a well-performing coordination of all actors, including Arc International.

The first effect has been the development of the sector of services to companies, or B2B services. This is a direct effect of the externalisation of many activities outside Arc International.

However, interviews have indicated that at the local level, the impact has been negative for several SMEs, especially in the transport sector. Many SMEs in this sector had established privileged relations with Arc International and the restructuring has forced them to adapt. Nevertheless, this might have had some positive effects. The reduction of activity at Arc made it necessary for local subcontracting SMEs to see beyond their exclusive relationship with Arc. This 'mono client' situation is indeed at risk. The restructuring could be seen as an opportunity – or at least a powerful driver – for many to enlarge their scope and to try to develop new activities with new clients beyond the region. Nevertheless, not all companies have managed to make this change.

*The CEO of a local transport company (240 employees), created in 1953, evokes the combined effect of the restructuring of Arc International and of the 2008–2009 crisis to explain its decline in business. 'We used to transport 10 truck trailers per day for Arc International, now the same figure is 5 or 6.' 60% of its activity is linked with the paper and cardboard industries located in the area. (Agence d'Urbanisme et de Développement, 2012a)*

The impact on public services is not easy to measure. The local hospital has remained an important local employer, with around 1,400 employees. Globally, 4,500 employees work in the health sector in the local employment area. The restructuring does not seem to have impacted health services in the area.

The higher education sector has been partly affected by the restructuring. Two higher private schools, the EIPC (engineer school) and ESCIC (management school), were created by Jacques Durand in

1991, and even though they had an independent status, they were mainly financed by the group. At the end of the 2000s, the group stopped financing the two schools, whose future was then very uncertain. In 2009, both schools were acquired by the Littoral/Côte d'Opale University (a public university that is mainly located in the three big nearby coastal cities, Dunkirk, Calais and Boulogne-sur-Mer, with some branches in the inner region), which has now acquired two branches with good structures and a good local reputation. For the local authorities, it is very important to keep higher education establishments in the employment area.

### Labour market effects

The local labour market has been hit by the restructuring at Arc International but has shown an impressive resilience. From 2000 to 2010, the Saint-Omer employment area 'only' lost 1,000 jobs, which means that many of the jobs suppressed at Arc International and in earlier restructuring (more than 7,000) have been compensated for.

We rely here on the local employment figures provided by Pôle Emploi (the main public employment service operator) and the Saint-Omer Town Planning and Development Agency. These figures do not include the totality of the jobs suppressed by Arc International because the crystal production was made in the city of Blaringhem, which is less than 10km from Arques but is situated in another administrative employment area. For this reason, the figures in Table 2 unfortunately do not take into account the 1,000 jobs that disappeared after the crystal plant there closed and the indirect effects on other sectors.

**Table 2: Change in employment in the Saint-Omer area, 2000–2010**

Sector of activity	No. of employees, 2000	No. of employees, 2010	Change
<b>Five first sectors in terms of the number of employees (2010)</b>			
Retail trade	2,742	3,160	+418
Wholesale trade	1,548	1,864	+316
Road transports	1,395	1,737	+342
Construction works	1,443	1,584	+141
Social and medico-social housing	813	953	+140
<b>Five first sectors in terms of job creation (2000–2010)</b>			
Retail trade	2,742	3,160	+418
Headquarters activities, consultancy	18	417	+399
Civil engineering	105	487	+382
Road transports	1,395	1,737	+342
Restaurants	540	858	+318
<b>Five sectors that have experienced the most significant job losses (2000–2010)</b>			
Production of non-metallic mineral products	10,041*	6,830*	-3,211
Manufacturing of computer and electronic products	658	8	-650
Clothing industry	545	68	-477
Manufacturing of machinery and equipment	569	206	-363
Paper and cardboard industry	2,260	1,950	-310

\* This figure does not include 1,000 job suppressions in the crystal factory at Blaringhem, which is not located in the Arques administrative employment area.

Note: Private sector employment only

Source: Agence d'Urbanisme et de Développement (2012a); data from the public employment service (Pôle Emploi)

In 2010 there were more than 30,500 employees in the private sector, compared to 31,600 in 2000. In total, 1,037 jobs were suppressed in the private sector over this period in the employment area.

The industrial sector has been severely hit. From 2000 to 2010, 4,700 jobs (-29%) were suppressed locally (notwithstanding the additional 1,000 jobs suppressed at the crystal factory). In 2010, 11,500 employees worked in the local industry, which represented 214 establishments (41 fewer than in 2000). Despite these evolutions, the industrial sector still represents 38% of private employment. This is twice as high as the national average (18% of private jobs in 2010). In 2010, the glass industry still represented one job out of five in the private sector. Of course, these changes do not exclusively come from the restructuring and are also linked to general, macroeconomic figures.

The glass sector has been hit the hardest (3,200 jobs suppressed), but it is not the only one that has been affected. The electronic sector was completely dismantled after the Solectron plant closed in 2002 (438 redundancies) and the clothing industry has also progressively disappeared. These two cases are independent of the Arc case, but altogether they show how hard the area was hit in the 2000s. In comparison, the decrease in employment in the paper and cardboard industry is closely linked to the restructuring at Arc. However, this sector is still a dynamic one and has good prospects for the future.

The job creations have mainly occurred in the private service sector. More than 3,000 jobs have been created in the tertiary sector – an increase of 23% in 10 years. In 2010, there were 16,700 employees in the service sector. The most dynamic sectors in terms of job creation have been the retail trade and wholesale trade, consultancy, transports, restaurants and social action. Other dynamic sectors not reproduced in Table 2 are located in the industrial sector, like the agro-food industry, metallurgy or chemistry. These job creations are influenced by many trends (what could be called normal economic development) as well as the strategic orientations taken at local level (for example, the development of transport infrastructures or agro-food). The development of the trade sector can also be explained by the lack of large trade facilities in the beginning of the 2000s and the progressive creation of new shopping malls due to private and local authorities' initiatives.

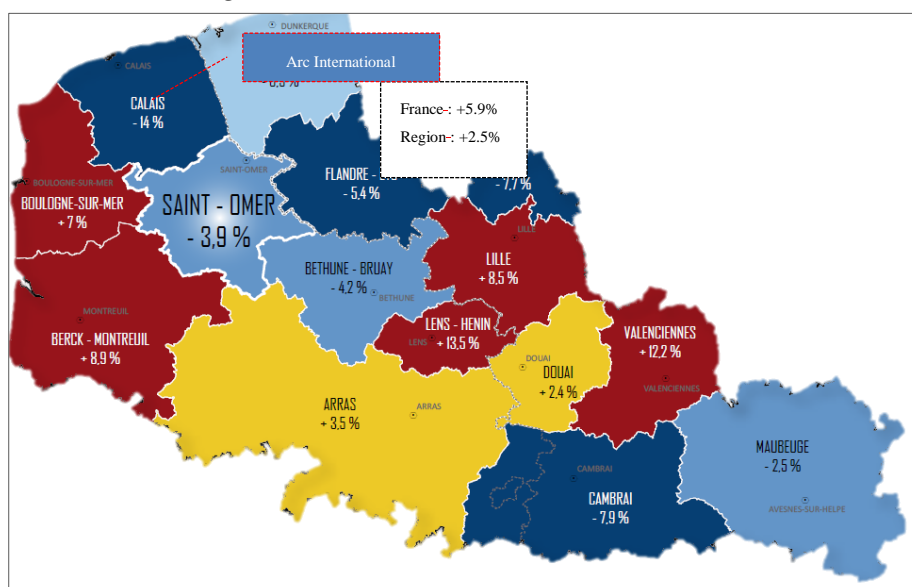
As mentioned by the local deputy, Michel Lefait, 'Substitute jobs are not all located in the industry. Rather, they are located in services to private individuals, health, retail, tourism and agro-food. They are the sign of a shared will for a diversification of the local economy after so many years of mono-industry' (Lamek, 2013).

The increase in service activities has also meant an increase of the share of women in private employment, which increased from 31% in 2000 to 35% in 2010. However, this proportion is still far below the national average (44%).

The decrease of 3.3% of employment in the private sector from 2000 to 2010 is first of all due to the restructuring launched by Arc International after 2004. However, it can be interesting to try to statistically 'neutralise' the direct job suppressions in the company in order to emphasise the importance of job creation in other sectors. When excluding Arc International, employment in the private sector increased by 11% over the decade. The performance of the employment area when excluding the direct impact of Arc International is much higher than that at regional and national levels. This emphasises the fact that the employment area has been active and efficient in attracting new jobs in addition to the revitalisation measures put in place by the company.

Of course, this approach is purely hypothetical. While employment increased by nearly 6% in France over the period and by 2.5% at regional level, it has decreased by more than 3% in the employment area. Figure 7 indicates a drop of 3.9%, which is higher than the one mentioned above (3.3%), but the tendency is similar. Figure 7 shows that despite the size of the restructuring at Arc (as well as those experienced in the electronic and clothing sectors earlier), the employment area has not been the hardest hit in the region. Other employment areas have experienced a decrease in private employment by more than 7%, and even 14% in the Calais industrial area.

Figure 7: Employment change in the private sector 2000–2010, by employment areas, Nord-Pas-de-Calais region



Source: Agence d'Urbanisme et de Développement (2012a)

### Wealth and incomes

Some data can be provided on wealth and incomes in the region, but it is not possible to separate out the proper effect of the Arc restructuring from other, more general factors.

The data show a relative reduction in the proportion of tax-paying households in the area from 2001 to 2009. While the number of households paying income tax has increased by 12% in the Saint-Omer area (this is mainly due to an increase in people living alone), the share of households paying income tax has diminished by 1.1% (Agence d'Urbanisme et de Développement, 2012b).

The employment area remains one of the poorest at the national level in terms of median income: it is ranked 287th out of 304.

Another interesting indicator is the increase of pensioners in households (+18% between 2003 and 2009). Here again it is difficult to explain this increase by the pre-retirement initiatives taken by Arc International, but they nevertheless might have had a role in addition to the overall ageing of the population. At the same time, the share of incomes drawn from employment has decreased by 5%.

**Table 3: Change in household income indicators, 2001–2009**

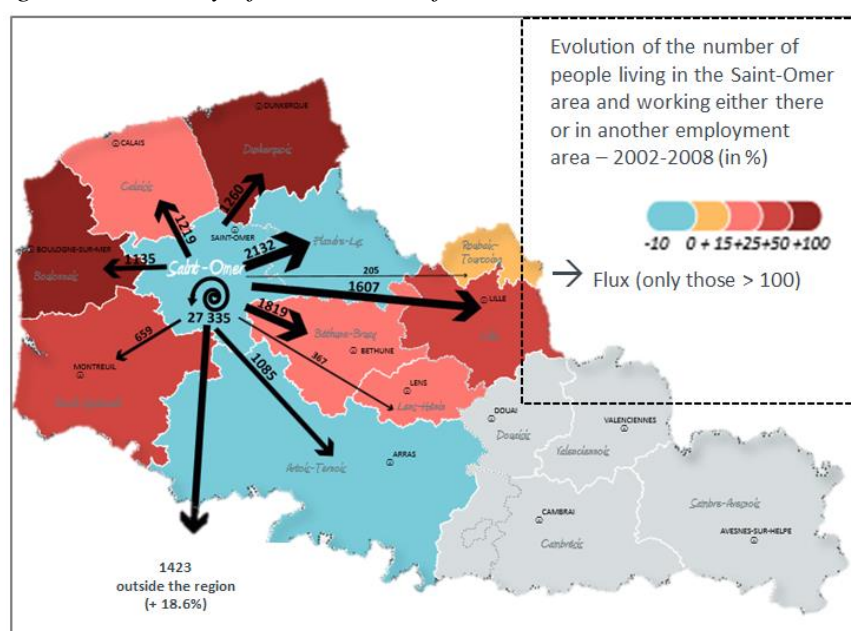
	2001	2009
Share of households paying income tax	52.1%	51%
Median income per consumption unit	€12,360	€15,440
Share of incomes from wages and salaries	67.8%	64.4%
Share of incomes from pensions	20%	23.7%

Source: Agence d'Urbanisme et de Développement (2012b)

### Mobility

In 2008, two out of three people living in the area also worked there. Intraregional mobility increased between 2002 and 2008, in particular towards the western (coastal) areas and towards the dynamic Lille area. The proportion of inhabitants of the Saint-Omer area who work in the area diminished during this period. According to the City Planning and Development Agency, it is hard to say whether these evolutions can only be explained by the economic difficulties of the Saint-Omer area during this period; they are also due to employees' generally increasing mobility.

Figure 8: Mobility of inhabitants of the Saint-Omer area, 2002–2008



Source: Agence d'Urbanisme et de Développement (2012a)

### Demography

The area has experienced an increase in its population over the last decade. The average annual increase was 0.4% between 1999 and 2010, which is four times higher than the region (0.1% for the Nord-Pas-de-Calais region and 0.6% at the national level). This represents nearly 5,300 more inhabitants in 11 years. The average natural balance of births and deaths has increased over the period by 0.5% per year (France: +0.4%, Nord-Pas-de-Calais: +0.5%) and the average migratory balance has diminished by 0.1% per year (France: +0.2%, Nord-Pas-de-Calais: -0.4%). It is not possible, however, to correlate these figures with the restructuring event.

### Quality of social and other services, quality of work and life

These elements are harder to explore. Public actors in the area have developed several initiatives to develop the quality of social and other services. The area has promoted several actions in the field of culture (coordination of a local cultural policy, support to cultural centres, a music conservatory with a good regional reputation) and sports (several high-quality facilities, some of which were used by Olympic teams in 2012 during the London Olympic Games). A local plan to develop ICT and internet

broadband access has been implemented. The quality of life has also been developed through the promotion of the area's many geographical and tourism assets. Transportation services were also developed in the second half of the last decade. For instance, the number of users of the public bus service in the area increased from around 700 in 2005 to around 6,000 in 2010 (Le Département Pas-de-Calais and CASO, 2012).

Besides these elements, to our knowledge there are no specific indicators of quality of life and quality of work.



## Approaches to dealing with the regional consequences

### Overview and broad concepts

The employment area has always been aware of its dependency on Arc International. However, in the late 1990s a collective approach began to emerge regarding the economic development of the region. When the restructuring at Arc International was announced in 2004, the actors gathered in this collective strategy could implement their actions more efficiently.

The economic development agency (named Saint-Omer Développement) was created in 1998 to offer industrial real estate services and to provide assistance to new businesses in cooperation with five local authorities and the Chamber of Commerce and Industry. The idea was to gather the services provided by these different actors into a single 'one-stop shop'.

The agency has defined three main missions in its strategy:

- Favour and assist the development projects of existing businesses.
- Assist new businesses and see their projects through to completion.
  - Provide technical and financial information and assistance on the available incentives.
  - Offer assistance in recruiting in conjunction with the local employment agencies and training organisations (HR platform).
  - Network with local businesses.
  - Present the community of major investors with local solutions to their expansion projects.
  - Promote the region through specific business communications.

New business creations or acquisitions are taken care of by the chamber of commerce and Industry. The role of Saint-Omer Développement is to help new businesses to find their ideal premises through a property database.

After the launch of the local economic development agency in 1998, several events happened. In 2002, the electronic company Solectron shut down in Longuenesse (a city near Saint-Omer), which entailed a collective redundancy for 438 employees. Several risks of business relocation were also present. These first events raised the need for a common anticipatory approach to prevent any future announcement made by Arc International, as it was common knowledge that the company was overstaffed and that it would have to restructure in the future.

This is why in 2003, corresponding to this anticipatory approach, the first technological audit was launched by the local economic development agency (which gathered together the major local companies, the chamber of commerce and representatives of municipalities). The idea was to better define the services that the economic development agency should provide in order to develop the employment area and attract new businesses. This audit was based on a comprehensive participatory survey towards all local stakeholders (including local businesses and SMEs). This survey helped to emphasise the assets and weaknesses of the area. Some promising sectors, like the water industry, logistics, robotics and innovative materials, were more deeply analysed. A second technological audit was done in 2012 to update the first survey in the context of the restructuring at Arc.

In 2004, local authorities engaged in the first local development plan (2004–2007), which was followed by two other plans (2008–2012 and 2013–2015). These plans have defined strategic orientations for the area. The role of these plans is to put in place a coordinated governance between the employment areas and the region for issues like business creation and transfer, the development of clusters, R&D, support for the internationalisation of companies and access to ICT. The Nord-Pas-de-Calais region has signed a local development plan with almost all of the employment areas in the region. The plan with the Saint-Omer employment area was one of the first ones. This action was also supported by the creation of a strategic committee of all the elected local councillors in 2003.

After 2004, these first initiatives have entailed setting up an efficient crisis governance in the aftermath of the first restructuring plan. Through these prior initiatives, local actors were already well organised and coordinated, which made it easier for them to later obtain (in 2005) aids and support from the state (through a *contrat de site*, that is, public support to employment areas impacted by company restructuring; see below).



From a broad perspective, two approaches have been combined to deal with the potential effects of the restructuring:

- First, the coordinated action of several stakeholders who want to develop the economy of the area and anticipate the unavoidable changes that the local economy will experience. This has led to a series of measures regarding the attractiveness of the area for business and support for the local economic development.
- Second, the revitalisation measures taken by Arc International in the context of the successive restructuring processes after 2004.

So far, these two lines of action have been successfully combined thanks to coordinating bodies and the involvement of the company in dealing with the social consequences of the restructuring. However, as of 2014, these measures might be running out of steam (see the general conclusion below).

### **Actors involved, their interests and motivation**

Several actors have been involved in this combined process of revitalisation and attractiveness.

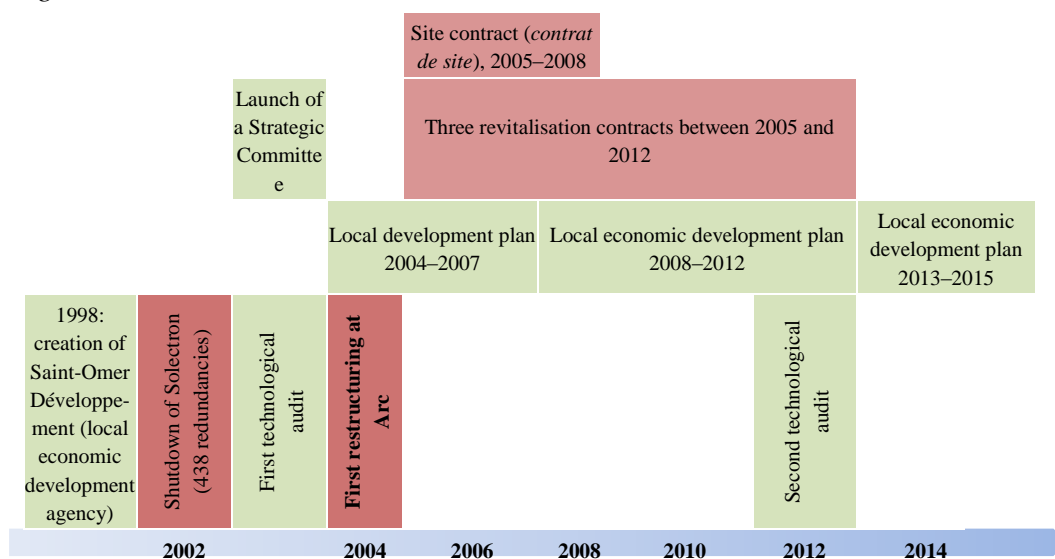
- Arc International has led the way. Many members of the board (family members) of Arc International are also on the board of several of the actors mentioned below (for example, in the chamber of commerce or the economic development agency) not only due to legal duties, but also because of a strong commitment to the region.
- Local authorities have been very active in the process, from the city councils (*mairie*) to the urban community of Saint-Omer (*communauté d'agglomération*, that is, the greater Saint-Omer area that includes several nearby cities) as well as including the regional levels (*département* and region). The region has competencies in terms of economic development and has engaged two local plans of economic development from 2008 to 2015.
- Local politicians (mayor, deputy) have also played a crucial part.
- Another influential actor has been the local economic development agency, which has had a coordination role. Among the other economic actors that attract new companies and create new jobs, the chamber of commerce and industry has had an important role. The City Planning and Development Agency (Agence d'Urbanisme et de Développement) has intervened on several aspects regarding real estate.
- The state has been central in the process through its local levels of intervention, in particular the Direccte, that is, the local representation of the Ministry of Employment. The Direccte is composed of work inspectors, advisors and legal officers. In relation to the local prefecture, they have provided several authorisations regarding the social plan and the initiatives taken to revitalise the local economy.
- The implementation of social and redeployment measures for employees was made jointly by the company and the public employment service. It also resorted to private operators (redeployment cells) working with the PES.

These main actors had much experience of working together before the announcement of the restructuring at Arc International. This earlier experience was then of real value. For much of the time, this past experience was rooted in the progressive constitution of a collective approach in the face of economic changes since the end of the 1990s.

## Detailed description of measures taken

The measures can be summarised in Figure 9, which integrates prior initiatives, emergency measures (revitalisation initiatives) and longer-term measures (attractiveness initiatives).

Figure 9: Main measures taken in the Saint-Omer area, 1998–2014



Legend:

Emergency measures (revitalisation measures)
Anticipatory and longer-term measures (audits, attractiveness initiatives)
Economic events

### Immediate or emergency measures

The immediate measures were defined in the revitalisation contracts put in place in the first 2004 agreement between social partners. Soon after, a site contract was signed with the state which has amplified the initiatives taken to deal with the consequences of the restructuring.

Since a 2005 law, any company or group employing more than 1,000 people that launches a collective redundancy plan must take measures in order to reduce the effects on the region. These measures must contribute to business development and job creation, such as job transfers, financial support to entrepreneurs or social benefit. To do this, the restructuring company works in cooperation with the local state representatives, that is, the prefecture and the Direccte (local labour administration). In concrete terms, the company signs a revitalisation agreement or contract with the state that establishes the different measures to be taken. It also includes the different actors that are to be involved.

Regarding the implementation of this legal revitalisation obligation, practices can be quite different from one region to another, depending on the degree of involvement of the restructuring company, the nature of the state intervention and the quality of local partnerships and cooperation (IRES, 2011).

This case study is characterised by a strong commitment from Arc International to limit the negative impact on the region. In total, three (compulsory) revitalisation contracts were undertaken during the period 2005 to 2012, which correspond to the three social plans and the three method agreements outlined above. For the company, the total budget of these measures (as mentioned in the successive revitalisation agreements) amounted to €9.5 million (by 2013, the effective expenses are a bit lower because the budget of the third agreement has not been fully used).

The first revitalisation contract, signed in October 2005, represented an expenditure of nearly €5 million. The private consultancy cabinet BPI was appointed to manage a specific fund of €3.9 million dedicated to launching new activities and businesses in the employment area. The objective was that this money would allow the creation of at least 750 jobs. The total sum is calculated by the public

authorities in proportion to the number of jobs suppressed and the objective of job creation. The budget of the first convention was equal to 2.64 times the number of jobs suppressed (pre-retirement measures excepted) multiplied by the value of the minimum income.

The following are the main contents of these revitalisation measures.

### **Support for entrepreneurship and local business development**

The company engages with local SMEs in the area (40km radius) in their development. The support takes different forms.

The main expense has been the financial support or incentive given to new jobs created in the local area. Arc International agreed to give a subsidy of €3,000 for new jobs created and €4,500 if the job goes to a former Arc employee.<sup>4</sup> Several conditions were needed to benefit from the subsidy. In particular, only entrepreneurial projects in the industrial sector (broadly defined, including, for instance, transports) could apply. In addition, this support was only available to projects implying more than eight job creations. The business project was assessed by a local committee including Arc International and state representatives. In the third revitalisation agreement, the bonus allowed if a former Arc employee was recruited was suppressed. This subsidy was accompanied by in-kind support. As one interviewee says, the subsidy is not the only thing that drives an employer to recruit or not; an employer wishing to expand his or her activity or to create a business in the area needs to be supported. As such, Arc International created a specific internal bureau dedicated to the management of revitalisation initiatives. Up to three counsellors have been working in this internal bureau. These counsellors provide guidance (on several questions, from technical ones to managerial ones) and offer networking advice to the project leaders.

Another important line of intervention concerned land and property assets. This has often been a crucial element in the decision of whether or not to start a business in the region. Some new companies have been attracted by the possibility of using the former premises of Arc International where the activity has been stopped. The company could provide building and equipment on a 'plug and play' principle, with the support of other local actors regarding the equipment (for instance, there has been an important local investment in high-speed broadband or transport infrastructures; see below). It also provided support in different aspects, such as logistics, recruitment and training. In addition to the possible use of these premises, local authorities have developed an important programme of land acquisitions (see below).

A last initiative was the creation of new clusters in promising sectors, like the water industry, robotics and new 'intelligent' materials. This was done in cooperation with the local economic development agency. Arc has created a large R&D cluster called MAUD (see below) whose president is from Arc. The company defines the research programme jointly with its partners and finances actions.

### **Resource sharing, externalisation and conversion of activities in subsidiaries**

A second axis in the revitalisation measures corresponded to a logic of mutualisation, that is, resource sharing between the company and external partners. This intervention was also meant to attract new companies. In concrete terms, Arc International gave incentives for external partners to take over some employees and equipment in three activities affected by the reduction of activity: boilermaking, cardboard activities and robotics. This was enshrined in the legal principle of transfer of employees in cases of business takeover. Arc International continued to pay the employees concerned. Two companies have used this mechanism, Ferway and Express Découpe, which encompassed 160 employees. The agreement says that under this principle of resource sharing, additional transfers of activities and employees could be launched in the future, but only after a comprehensive assessment of these first initiatives.

In addition, many activities have been externalised to subsidiaries or external providers, such as the maintenance of the rolling stock and cleaning. According to the company, this has maintained 250

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<sup>4</sup> These measures, taken in the framework of the revitalisation agreement signed with the state, have to be distinguished from those included in the method agreement, which consist of a direct incentive given to former employees launching their own business in the area and recruiting former Arc employees.

direct jobs, notwithstanding the indirect job creations through the development of these subcontracting companies.

### Social benefits for redundant employees

This line of intervention was included in the social plan, not in the revitalisation measures strictly speaking. Nevertheless, when effectively managed, social benefits for redundant employees is also a way to encourage mobility and to support the new business projects, ensuring the project promoters might find an available and skilled workforce. In other words, this is a necessary layer in addition to the ones mentioned above (financial incentives, guidance and social benefits, support regarding premises or property assets).

By the end of 2010, 1,447 employees had benefitted from the retraining measures put in place and 90,000 training hours had been provided. In total at that time, more than 1,000 employees had changed job either within the company or outside it.

### A quantitative assessment of the revitalisation measures: New jobs created and new companies set up

**The results of the revitalisation measures are hard to quantify** because they cannot be isolated from the overall actions and measures taken by local actors to ‘redynamise’ the area. Some elements can nevertheless be presented that correspond to the two lines of intervention presented above.

**During the period 2005 to 2011, 21 companies effectively benefited from the measures provided by Arc and the partners, and 1,100 direct jobs have been created so far** (Arc International, 2011). Regarding the projects that were implemented in 2012 and 2013, one can estimate that a total of around 1,600 jobs were directly supported thanks to the revitalisation contracts, and some of these jobs are to be created in the short term. Each project that receives the support of the local committee in charge of the revitalisation funds (consisting of the state, the company and other local actors like the chamber of commerce) stipulates the number of planned job creations.

One of the most successful outcomes has been the establishment of the company **Alphaglass**, a subsidiary of the group Saverglass, in 2008. The company specialises in the high-quality/premium bottle industry. Two hundred and fifty jobs were created in 2008, of which 245 went to former Arc employees. Even the director of the plant was a former Arc executive. The company has set up in premises formerly used by Arc. At its launch, it therefore benefited from available premises, a skilled workforce and the various types of aids provided by Arc. Arc International also partly paid the skills training of 225 former employees (up to €8,000 per individual). Since then, the company has continued to grow and now employs 370 employees (mostly men). In 2013, it set up a new company called Alphadec, which specialises in the decoration of premium bottles. Seventy-five employees were recruited and the plant foresees 30 to 40 additional recruitments up till 2015.

Another success has been the establishment of the call centre **Arvato**, which represents more than 420 jobs in the beginning of 2014. This call centre has benefited from the supply of Arc’s big former refectory to start its business. The jobs created mainly went to women who had previously worked at Arc. Another call centre, **Camaris**, has set up in the campus where the two engineer and management schools formerly owned by Arc (now owned by the local university) are situated, with 450 jobs created.

A food wholesaler, **Transgourmet**, has set up in the multimodal business park near Arc premises and has created 140 jobs.

The second line of intervention, that is, job transfer and resource sharing, has also had positive results. The company **Express Packaging** has benefited from Arc’s support. Express Packaging took over 100 employees in 2006 who had formerly worked for Arc’s internal printing house.

**Other job creations have been made in companies that were already present in the region** and that have experienced a business expansion, in sectors such as paper and cardboard or agro-food (such as a local brewery).

Two important projects have just been abandoned. The first one was the establishment of a power plant in the former crystal production plant in Blaringhem. After preparing for the project for several

years, the investing company has stopped because of the level of uncertainty concerning the state's support for renewable energy and the lack of visibility. The initial project amounted to €500 million, with many indirect job creations (particularly in the building and transformation of the plant).

The second project that has been abandoned was started by a company called LE Manufacture. The initial project was to use the former crystal production premises in Blaringhem to produce 'intelligent' wood and plastic pallets incorporating GPS devices. The group has faced several difficulties that made it renounce this project despite the many supports that were proposed for launching the activity.

Other projects are still under discussion, like the establishment of a British company specialised in recycling tires. This latter project was launched in 2010, but three years later there were still many uncertainties about it, although 250 jobs are hoped for in 2014. The project would represent an investment of €26 million (a figure announced in 2010). In 2010, the manager of this company said that the quality of the workforce in Arc International would be a real asset (Monnery, 2010).

### **Regional anticipatory management of manpower**

In 2010, the amendment to the 2008 agreement proposed a regional analysis of employees' external employability, that is, their job opportunities within a 50km radius. This audit has been done in cooperation with the local services of the Ministry of Employment, the public vocational training agency (AFPA) and the company. All the local economic projects have been considered in light of their potential for job creation. Fourteen jobs with declining employment at Arc International (such as factory worker or administrative assistant) have been targeted. The transferability of the skills of these workers has been analysed and the possible transitions towards new occupations and jobs has been formalised, emphasising the necessary training: no training needed, complementary skills training or complete retraining. This analysis has been presented to employees' representatives and is frequently updated.

This is an interesting tool for Arc HR services and actors in the field of training. However, the translation of this 'mapping' into more operational initiatives is not fully clear.

### **Site contract (*Contrat de site*)**

In 2005, a site contract was established between local authorities and the state for a period of three years (2005–2008). This contract represented an expenditure of €12.5 million. The budget is financed by the state, local authorities and the ESF. The objectives of a site contract are to help the revitalisation of an area hit by a massive restructuring. The implementation of such a contract is controlled by the local prefecture; however, the governance of this tool is shared between local actors. This tool has existed in France since the beginning of the 2000s. During this decade, only a few such contracts (around a dozen) were set up in France. A methodology should be respected, consisting first in a local study or assessment, then in the elaboration of an action plan. The fact that a local audit already had been made in the years before and that local actors had already engaged in several initiatives has facilitated the implementation of the site contract. The Saint-Omer site contract was coordinated with the revitalisation measures described above. An interesting aspect is that these additional funds came very soon after the restructuring decision.

### ***Longer-term, strategic measures and initiatives***

Most of what can be characterised as longer-term or strategic measures were actually taken just a few years before the announcement of the restructuring.

These measures all try to improve the local economic governance and cooperation between economic and political actors on the one side, which also means defining a common strategy for the territory, and on the other side to put in place initiatives in order to attract new business and to foster job creation.

### **Attractiveness initiatives**

These longer-term initiatives were launched at the beginning of the 2000s and were reinforced after the restructuring at Arc. The joint role of the company and the local economic development agency



(which gathers together the political world represented by local councillors, and the economic world with the chamber of commerce and industry) has been crucial.

One of the first axes of intervention was to work jointly with local authorities in order to create business parks. The employment area was indeed lacking these parks and this absence was detrimental to the prospects of attracting new businesses. Local authorities have therefore purchased land and invested in their development. The choice was made to create several specialised parks rather than one big park. During the 2000s, several business parks have flourished at different places in the area, specialised, for instance, in trade business, river/fluvial transport and crafts. The common governance through the local agency has avoided any risk of price competition between these business parks to attract businesses; in addition, the agency working as a one-stop shop has coordinated all the projects, thus avoiding an inefficient dispersal of projects.

A second axis of action has been the launch of several audits and surveys, as mentioned above. The first technological audit was done in 2003 and it was renewed in 2012. These audits were very useful to develop a local strategy for the future. In 2003, some of the assets of the area that were emphasised by the survey concerned its environment, which includes a vast natural park, a river and many water resources. An 'eco-innovation' strategy was launched. However, as of 2014, this sector has still not developed that much. It represents around 40 companies and 100 jobs. Among the other economic assets was the innovative materials sector.

In 2012, the new audit put the focus on several promising sectors that are to be supported and promoted. These sectors are the agro-food industry, logistics and e-commerce, services to companies, the green economy, packaging, tourism and the residential economy (that is, services provided to people living there, such as health, trade or education). As one can see, this does not include the glass industry.

The audit also stressed the strengths of the area, in particular the presence of a large market – the first consumption area within 300km, with five European economic capitals close by (Amsterdam, Brussels, London, Luxembourg, Paris); good transport infrastructures (connection to motorways, a high-speed train); the presence of logistics hubs and proximity to nearby harbours by road or river; available land and high-quality business parks; a qualified workforce; tourism assets (there are around 80,000 visitors to the natural park each year); and good cooperation between actors.

These audits have defined a common economic strategy, shared by private and public actors locally. Effects are expected to take place in 15 or 20 years. The first direct effects are the development of sectors like the agro-food industry.

Third, in line with these reflections, the successive economic development plans have developed a long-term strategy to diversify the economy. Currently, a massive investment is being realised in ICT to the benefit of inhabitants and business. European funds (FEDER) have been received for reducing regional inequalities in accessing the internet. Many efforts have been made in order to equip all the business parks with the best-performing high-speed broadband facilities.

Fourth, research and development has been supported throughout the period, with the involvement of local actors and Arc International. An R&D cluster was jointly created in 2005 by Arc International, the nearby chemical company Roquette and the University of Lille. This cluster belongs to a national initiative that has created several 'competitiveness poles' in different sectors of innovation. The cluster launched by Arc and its partners is called MAUD, for 'materials and applications for a sustainable use'. Nevertheless, this cluster suffers from several drawbacks, including an important dependency on public funding and a geographical dispersion (the researchers at the university are located one hour away from the company).

In recent years, a new R&D cluster has been created in the field of environmental management. The subtitle of the last economic development plan 2013–2015 – 'a resilient territory, firmly turned towards a knowledge-based economy' – illustrates this R&D-based ambition.

## An assessment of these measures

Some quantitative elements can be drawn from the local economic development agency. According to the agency, since 2006 there has been over €230 million in private investment in property and plant, representing over 2,000 jobs created or maintained in the region. This assessment includes all business projects in the area, not only those that have benefited from the reconversion initiatives and incentives.

**Table 4: Quantitative assessment of Saint-Omer development initiatives**

	2007	2008	2009	2010	2011	2012
<b>Number of projects/applications</b>	124	171	110	91	122	122
<b>Jobs created, to be created or maintained</b>	253	449	397	413	389	326

Source: Activity report, 2012

## Elements of good practice and lessons learned

One key element has been the coordination of the company's legal obligation and the involvement of all the actors in the area. The legal obligation forces the restructuring company to take all measures that might create new activities in order to compensate for the jobs suppressed. It has been accompanied and reinforced by a series of initiatives taken by local actors, with the coordination of the local economic development agency. This agency is composed of all the relevant stakeholders in the process, in particular local authorities (representing the political power) and the chamber of commerce and industry (representing the economic power), which is itself closely linked to Arc International. The fact that all the stakeholders have been working in close partnership and exchanging good intelligence has been a key factor for the success of the revitalisation measures. The main initiatives have been coordinated and no actor seems to have engaged in opportunistic behaviour. On the contrary, it has been a collective strategy. This perfect convergence of views is emphasised by all actors (Barjonet, 2012).

This collective strategy has helped to lessen the impact of the restructuring on the regional labour market. This local resiliency is largely due to the collective behaviour of the local actors, but also to the many assets in the area, which were not exploited enough in the past. It has taken time to change minds and to accept the need to move from a mono-industry to a diversified economy. Nevertheless, and despite the many structural changes in the local economy, the risks identified regarding the concentration and the specialisation of the area are still present.

One main element of good practice has been the financial involvement of Arc International, which has spent more than €9 million to revitalise the area. In addition to this private spending, which was one of the central points in the revitalisation agreements negotiated by the group with the state, the area has benefited from other spending and investments from the local authorities and the state. The private spending from Arc was mainly used to finance new jobs in the area. However, this spending would not have been efficient if it had not been accompanied by other in-kind measures, in particular social benefits and the guidance of business project leaders, as well as the lending of the industrial premises. These measures have been reinforced by the attractiveness measures in the field of land property, real estate, access to high-quality equipment and infrastructure.

## Commentary and conclusions

### Factors behind success and failure in the specific context

The first factor of success may be the role of family ownership. The former CEO of Arc International said in 2010, ‘A family company provides some stability and a long-term vision. We are not submitted to quarterly reports that might suppose brutal changes’ (Ducuing, 2010). The family-owned Arc is very attached to the region and has a long history with it. The restructuring took longer than expected, but over the last 10 years the principle of zero forced redundancies has been followed. As of 2013, economic difficulties are still important for the group. Several measures were taken in November 2013 to try to face current difficulties. However, both management and unions recognise that it is no longer possible for the company to finance similar measures as the ones taken from 2004 to 2012. But the group also cannot pay for the cost of a large collective redundancy with forced redundancies this time. The newly appointed CEO (he arrived in the autumn of 2013) announced at a workers council in November 2013 that the capital would soon be open to new investors, which means a strong break with the family ownership tradition. This is worrisome for unions. The French plant is still not competitive enough compared to international competitors or even other industrial sites that belong to the group. As of 2014, the management still believes that the French site is overstaffed (by around 2,000 to 2,500 employees of the current 5,700) (Dudzinski, 2014). Some alternative options to a social plan are being examined, in particular specific pre-retirement measures for employees aged over 50 who have been exposed to asbestos during their professional life. These measures need to be approved by the Ministry of Labour and Employment. This is a sensitive issue and not all unions directly support these measures.

The story of the restructuring at Arc during the last decade also shows an important role given to social dialogue. There is a long and good tradition of dialogue with trade unions. The first union, now independent, was created and fostered by the employer. There are now six unions in the company. Four of them signed the first method agreement in 2004. This agreement gave a major role to unions in the restructuring process. Through the three successive agreements, the management, unions and elected workers’ representatives could work towards a common strategy entailing several thousand job suppressions but also trying to give employees a certain level of choice.

The absence of social conflict resulting from this shared anticipatory approach has also been a key element in attracting new industrials. This absence of social conflict was because of the means provided by the company and authorities, but also because of the firm commitment from the management not to force redundancies. The years have shown that this commitment was genuine. In 2014, unions know that the group does not have the same margins to manoeuvre anymore and that future restructuring may be quite different. The tension is high today in the company.

During all these processes, the company has not stopped investing, in particular in R&D. In 2009, after several years of restructuring and at the height of the economic crisis, the group started to commercialise two new innovative materials.

Regarding the revitalisation of the area, the main success factors were the good cooperation of actors and the absence of opportunistic behaviour as well as the availability of private and public spending and its effectiveness due to initiatives taken in the field of land property, access to equipment and premises, project leaders’ support and the presence of a skilled workforce.

### Relevant policy issues

The French legal requirement for companies with more than 1,000 employees to engage in regional revitalisation activities after restructuring is characterised by decreasing efficiency in times of economic crisis when there are several revitalisation agreements at a larger scale, either that of the department (*département*) or of the region. This is what happened in the Nord-Pas-de-Calais region in 2013. By the end of 2013, there were 16 revitalisation agreements in the Pas-de-Calais department (where Arc is located) and there were more than 30 in the Nord department. In the Pas-de-Calais department, all seven administrative employment areas have at least one revitalisation agreement. This has direct consequences in terms of competition between areas to attract potential new activities as well as competition between the revitalisation agreements. When there are only one or two such



revitalisation agreements in the department or the region, then the attractiveness of the concerned employment area might increase. However, when all the employment areas have at least one such agreement and sometimes even more, they face competition for potential investors. Regions with more diversified economic structures, better equipped with assets or better connected with international infrastructure might be better off in this regard. Furthermore, potential investors are rare in the present time.

The third and last revitalisation agreement signed in 2011 for two years (mid-2011 to mid-2013) has been prolonged until mid-2014 because the budget has not been completely spent. This is a sign that even though the company provides subsidies for new jobs created, this does not mean that the entire budget will be spent. Out of the budget of €1.5 million, only a little more than half has been spent. The main reason is that there simply is not enough demand from firms intending to create jobs in the area due to the current global economic context. As was emphasised in interviews, the existence of a bonus or premium paid by Arc in the context of its revitalisation duty may only be a minor factor in an entrepreneur's decision to expand his or her activity or to create a company. The choice depends much more on the future prospects for the company and on local infrastructures, facilities and competences. In addition, there are other forms of national financial public aid that might be given to investing companies that might be higher than the revitalisation aid. Under certain conditions, local authorities may also use European funds, such as FEDER, to develop local employment, which again might be more than what is provided by Arc.

Consequently, the revitalisation agreement may reach its limits in times of general economic crisis, that is, when all employment areas are hit. The relative advantage that one area may draw from the revitalisation budget spent by the restructuring company is no longer that effective, as all the revitalisation agreements are more or less the same. In conclusion, the issue is that of a better governance of these revitalisation agreements at regional level in order to limit these competition effects and to increase the effectiveness of the money spent.

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## Annex: Interviewees

- UNSA trade union, 10 September 2013 and 19 November 2013, Arques
- Saint-Omer Développement (local economic development agency), 19 November 2013, Saint-Omer
- Former secretary of the worker council (2005–2009), 19 November 2013, Arques
- Direccte – state local representation (Direccte – Regional direction of employment and labour, Pôle Mutations économiques), 3 December 2013
- Arc International (director in charge of revitalisation), 6 February 2014

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