

# **Mitigating the Social Impact of Privatization and Enterprise Restructuring**

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## EXECUTIVE SUMMARY

This paper focuses on the central role the social sectors play in the restructuring process. During restructuring there is often significant downsizing of labor and when this occurs the social reaction can be such that restructuring will be slowed and in some cases stalled. This fact is increasingly recognized by development agencies, governments, and enterprise management and as a result social programs are becoming an integral part of the design of enterprise restructuring programs.

There are economic, social, and political objectives for providing social support packages to workers displaced by restructuring and privatization of State Owned Enterprises (SOEs). Social support programs should include elements that combine to “*pull*” and entice excess labor to leave over-staffed enterprises, while at the same time helping “*push*” and assist displaced workers to quickly rejoin the labor market. These measures usually include both temporary income support and active labor programs. To be effective the measures must be carefully designed and targeted. Furthermore, there should be continuing social monitoring of displaced workers to ensure the services are reaching the most needy workers and the most vulnerable are identified early and provided with special assistance as needed.

Most successful programs include direct dialogue between key stakeholders (e.g. the government, enterprise management, workers, and community leaders) both before and during the restructuring program. The design of social support packages (SSP), while based on some generic principles, must be country specific. Notwithstanding the approach taken, the process of divestiture of labor, and related social assets, has three major elements. The three elements are enterprise analysis, pre-layoff assistance, and post-layoff services (including temporary income support and labor redeployment services).

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## I BACKGROUND

This paper focuses on the central role the social sectors play in the restructuring process. During restructuring there is often significant downsizing of labor and when this occurs the social impact and reaction can be such that restructuring is slowed and in some cases stalled. This fact is increasingly recognized by development agencies, governments, and enterprise management and as a result social programs are becoming an integral part of the design of enterprise restructuring programs. To quote the former Minister of Finance from Macedonia "we cannot and will not proceed with privatization of large state owned unless we have a program of targeted social support in - place for the affected workers".

There are generally three phases in the process of divestiture of labor and social assets. The decision phase, which culminates in the governing board or government ordering the enterprise to start labor negotiations based on agreed reduction/divestiture of the business plan of the enterprise. The urgent divestiture phase, which starts when the decision has been taken to initiate labor negotiations, and is completed when the revised business plan is updated with related divestiture of labor, equipment and land. The development and renewal phase, which overlaps the urgent divestiture phase and will extend over several years.

The decision and urgent divestiture phases create within the affected communities feelings of threat, anxiety and uncertainty about the future. As a result, labor representatives often ask for a re-consideration of divestiture, which leads to a prolongation of unprofitable activities at the enterprise in question. Therefore, it is desirable that social support programs be defined at the outset and as part of the overall divestiture process, and that the development phase starts as soon as possible to create confidence in the future.

## Objectives of Social Support Programs

There are economic, social, and political objectives for providing social support packages to workers displaced by restructuring and privatization of State Owned Enterprises (SOEs). From an *economic standpoint* the objectives are to reduce excess labor costs so enterprises can be competitive, and to facilitate the rapid return of workers to productive employment and thus reduce the duration of state supported income support payments. From a *social standpoint*, the objectives are to provide transitional income support while displaced workers are finding alternate employment and, for those who have difficulty finding employment, providing extended income support to prevent these workers and their families from slipping into poverty. From a *political standpoint* social support programs are intended to build public support for restructuring by signaling to citizens, communities, and labor representatives that those responsible for restructuring are attuned to the needs of affected workers and that they are ready and willing to assist those that need and want help.

Social support programs should include elements that combine to “pull” and entice excess labor to leave over-staffed enterprises, while at the same time helping “push” and assist displaced workers to quickly rejoin the labor market. These measures usually include both temporary income support and active labor programs. To be effective the measures must be carefully designed and targeted. Furthermore, there should be continuing social monitoring of displaced workers to ensure the services are reaching the most needy workers and the most vulnerable are identified early and provided with special assistance as needed.

## International Experience

Many countries around the World have and are implementing economic restructuring and recovery programs (Fretwell, 1995; Hoveen, 1997; Kikeri, 1998). Some are directly linked with privatization of state owned enterprises (e.g. in transition

element of the program, plus extended medical benefits, retraining, help for business startups, and job search assistance to affected workers. Economic restructuring in Latin America has, sometimes, been carried out in a manner and in an environment that has increased employment thus making divestiture more palatable to labor. For example, *in Chile*, employment in 10 state owned companies privatized between 1985 and 1990 increased 10% because of overall headway achieved in economic growth and investment by the firms involved (Larroulet, 1992). *In Argentina*, starting from a base of 222,000 employees in thirteen major public enterprises in 1990, employment was reduced to about 42,000 by 1993 via transferring 66,000 workers to private firms, retiring 19,000, and providing 95,000 with severance payments. The advanced age of many workers, generous severance, multi-job holding phenomena and reactivation of the economy and expanding labor market, are credited are producing a lack of opposition from labor (World Bank, 1993; Guasch, 1996).

- *Western Europe: In Germany* a new institution, the Truhandanstalt was established to deal with rapid privatization of some 8,000 state companies, with a workforce of 4.1 million. The privatization program had a rapid and had severe impact on employment. Labor reductions were achieved by early retirement, job placement in new private firms, employment creation schemes including wage sub-subsidies, public works, and retraining; plus unemployment benefits. Special employment companies and counseling services were also established to employ and retrain workers. *In the UK*, British Coal divested a total of 204,000 workers, mostly over the age of 50, who accepted lump sum redundancy payments. In addition, British Coal Enterprise Ltd. was established to assist employees in the sector, and their families, in developing skills and securing new employment with a special emphasis on helping displaced workers start small businesses. *In Sweden*, the Uddevalla shipyard was downsized via normal turnover, early retirement, a freeze on recruitment, and assistance with job search and retraining.

by a broad array of active labor redeployment programs and related social monitoring activities.

*In summary*, even the brief review presented in the preceding paragraphs demonstrates a broad range of social support programs. However, most successful programs include direct dialogue between key stakeholders (e.g., the government, enterprise management, workers, and community leaders) both before and during the restructuring program. The stress and emphasis on income support (e.g., severance) vs. and other forms of support (e.g., labor services) vary depending on economic and employment conditions, but most programs include both elements to varying degrees. Any new Social Support Package should draw on this, and worldwide, experience and be designed in a manner to respond to current conditions in a specific country. Finally, enterprise restructuring is not a “one-off” process. Enterprises in the most developed economies must continue to reinvent and restructure themselves in response to changing economic and market conditions worldwide. As such developing countries need to develop social support packages that have both short and long-run applications

### **Country Setting**

The design of social support packages (SSP), while based on some generic principles, must be country specific. There are a number of factors which must be taken into account in the design including:

- *Political Commitment*: Is there sufficient political commitment to move forward with the privatization and restructuring program? If there is no political commitment resources allocated to SSPs may never be utilized because privatization and divestiture of excess labor may never occur, or if it does workers may be rehired and the funds expended on SSP are wasted. In addition, without political commitment the SSP may be so generous, to mute any opposition that it

may not always be possible, and if a multi sector generic SSP cannot be negotiated it may be necessary to do the design sector by sector (at least for the income support/severance components). Fragmented sectoral SSPs can also cause other problems with labor redeployment components (i.e., duplicatory administrations, overlapping programs, lack of critical masses of clients for selected services).

- *Mono-Enterprise Communities:* Enterprises restructuring mono-enterprise communities require special attention, particularly when they are isolated geographically. Consideration needs to be given to the provision of SSP relocation assistance, and local economic development planning and implementation grants in these situations.
- *Availability of Temporary Income Support:* SSP design must take into account the existence, or lack of, a range of income support programs. If there are no regular social assistance or unemployment benefit systems, this will directly affect the type of severance packages, and even active labor programs, offered. Wage arrears provide a special problem, as they normally have first priority for funding. If arrears are large there may be insufficient resources to finance other forms of income support and labor redeployment programs.
- *Availability of Labor Redevelopment Programs:* As with income support programs, if they do not already exist, or the ones that do exist are weak, there will be problems with rapid implementation of SSPs. SSPs are normally rapid moving programs, and there is little time for months and years of “institutional development”.
- *Labor Code Issues:* Existing regulations for layoffs and severance may not allow excess labor to be divested in a rapid manner. or if layoffs are allowed the cost of

## **Stakeholders**

SSP design requires the involvement of a number of stakeholders. While this would appear logical, it is not always done. In many cases the entities dealing with privatization and enterprise restructuring (i.e., privatization agencies, enterprises) simply think their job is to create a business plan and/or sell the enterprise and divest excess workers who are expected to fend for themselves and/or access existing Ministry of Labor social support programs. This approach can create immense political and social problems that can slow and stall privatization. In addition, the types and resources for SSPs for workers displaced from SOEs may differ from those provided to the general population of unemployed (i.e., the workers are older and more experienced, and may not be as mobile as first time workforce entrants). Large-scale displacement workers during privatization can overwhelm the administrative and fiscal resources of Ministries of Labor and have a devastating impact of local communities.

As such, for political, social, and economic reasons it is critical to involve enterprise management, labor representatives, community leaders, and all levels of government, non-government organizations, and the private sector in the design and implementation of SSPs. Some stakeholders may take a leadership role in design (i.e., National Government, Union and Employer Representatives); others may play a role in both design and implementation (i.e., unions), while others may play a primary role in delivery of services (i.e., local government, community, labor agencies, the private sector, and non-government organizations). The key issue is that major displacement of labor affects an entire community, and everyone has a stake in addressing the problem.

## **Summary**

In summary, while the general finding is that while workers as a group do not lose by privatization and restructuring, individual workers can be temporarily worse off where

## II. PROCESS OF DIVESTURE OF LABOR AND SOCIAL ASSETS

### General Approach to Divesture

There are several approaches to dealing with divesture: (a) let the new investor deal with them, (b) have the Government assist prior to sale, or (c) combine both approaches.

*Investor Driven Layoffs*: This approach is one in which the new investor will restructure the enterprise and address related labor requirements. This assumes that the Government will sell the enterprises at a discounted price, if necessary, and let the new owners deal with the restructuring and related layoffs. This is the preferred option as the new investor is in the best position to know the labor requirements of the enterprise he is buying. In this option there is no Government participation in the administration and financing of temporary income support and related labor redeployment programs.

*Government Assisted Layoffs*: The above-mentioned approach may make some SOEs very unattractive to buyers, because of large excess numbers of workers. Therefore the Government may become involved in designing, financing, and administering the divesture process prior to and during privatization and restructuring. The buyer may have other investment alternatives, in other parts of the world, and may not want to get involved laying off large numbers of workers in a heavily unionized environment immediately after purchasing an SOE. In addition, unions may not view the basic severance option under the Labor Law as sufficient reimbursement for layoffs when alternate employment is not easily available. The Privatization Law may address this issue by providing a framework for additional support and labor redeployment services to SOE employees displaced by restructuring. If these programs are made available before sale, with Government support, some labor may leave voluntarily, the SOEs may be more

- *Post-Layoff Assistance.* To provide temporary income support and labor redeployment services to individual displaced workers and support regional development efforts.

## Enterprise Analysis

Three broad issues, vital for the process of divestiture and restructuring, are addressed from the standpoint of the key stakeholders concerned (e.g., enterprises, trade unions/labor, and the government). The key issues are (see following Figure I for summary): (a) divestiture of labor, how to define the level of labor divestiture to meet productivity goals in enterprises to be privatized and/or restructured; (b) labor regulation, how to identify external and internal labor/union regulations that affect labor divestiture; and (c) divestiture of social infrastructure, how to identify social infrastructures that can be divested and the alternatives for doing so (Fretwell, 1995).

**Figure I: Role of Stakeholders in Divestiture of Labor and Social Assets**

CONCEPT	STAKEHOLDER	ISSUE
LABOR DIVESTITURE	Enterprise	Business/labor plan, skill analysis Regulations, information, Temporary income support programs, Labor redeployment services
	Government	
LABOR REGULATIONS	Unions	Negotiations, agreements, qualifications, education, training
	Enterprise	Regulations, negotiations, agreements
	Government	Regulations, negotiations, monitoring industrial relations activities, support for new employment projects, small business development

*Defining the Level of Labor Divestiture:* The role of the enterprise or new investor is to select the correct mix of labor to keep and to divest. There are several approaches to determine the level of labor divestiture. Very often the decision on divestiture has been taken by the government and comprises a total closure of a plant, but there are also partial closures and partial divestitures. Full divestiture is the transfer of 100 percent of ownership and control to the private buyer; partial divestiture is anything less than that. Labor divestiture should include the following elements:

- *Business plan.* After having defined the new enterprise's plans regarding market, products, and volumes, the organization and utilization of labor has to be defined to reach desired efficiency.
- *Efficiency.* The new enterprise must be as good as or better than the competitors. Organization and employment levels should be compared with the situation in other enterprises to provide an indication of needs.
- *Skill and competence analysis.* After the reorganization plan is presented the qualification demand is then known. An analysis of the skill and competence of the existing personnel has to be performed. People meeting the new requirements will be selected from the existing staff. Remaining personnel has to be divested and/or retrained. For divestiture in Formerly Centrally Planned Economy (FCPE) countries it will be necessary to educate managers to undertake new management responsibilities, or recruit new managers with experience from private enterprises. It is important that the new management has both the right qualifications and the understanding of private business.
- *Temporary income support and measures to facilitate labor redeployment.* It is likely that restructuring and privatization will be followed by divestiture of labor.

the regulatory framework could also be an obstacle to divestiture. However, implementation of internal rules and internal regulations may be re-negotiated with labor unions at the enterprise level.

- *Labor Negotiations:* The rules can be very different, even between sectors within countries. It is, of course, an advantage for the employees to be employed as long as possible, even if divestiture must follow. If the projected results of divestiture are positive, but the rules prevent it, new labor negotiations must take place. Open information and a presentation of the consequences of divestiture not taking place should be used to help persuade the unions.
- *Setting Legislature in Place:* There are examples of regulations which can be obstacles for divestiture and in some cases have stopped the procedure. The Moroccan regulation that no state employee can be fired has been hindering a rapid divestiture of the Jerada mine. Other examples are local agreements known from the Former Yugoslav Republic of Macedonia, where the complicated priority order for dismissals became an obstacle for labor terminations. If there is no ground for negotiations the decisions have to be made by the enterprise without a consensus procedure. If existing laws and regulations are hindering the divestiture, they need to be changed, or additional regulations need to be put in place. If that is not possible, one approach is to declare the enterprise bankrupt and then start again without any obligations.

*Identifying Social Infrastructure to be Divested.* In middle-income countries and in FCPE countries, assets such as schools, houses, health services, water and energy supply systems are often run by state-owned enterprises. In the restructuring and privatization process those assets have to be sold off to private companies, individuals, or responsibility shifted to local or other government authorities before the privatization can take place. It is unlikely that private owners would take over assets that could not provide

- *Negotiations.* Negotiations with the local government must be positive, and financial support can be offered for the change-over period. In a small community where the enterprise is dominant, it is not necessary that all social assets be divested. They can be operated in the most economic way. If it is very costly for the community, the enterprise may have to share the expense in a diminishing way over time.
- *Valuation.* The value of the social property and activities must be determined, and the property should be sold to the private sector and/or individuals (e.g., hotels, housing) or given (e.g., schools, clinics) to the local government. However, this may have significant ramifications for the tax base of local and national governments and for the enterprises. The impact needs to be calculated in a total perspective. The enterprises, as well as the inhabitants, have to pay taxes for the public service.
- *Customers.* The rules have to be established by the owner, normally the government. In the divestiture process it is of common interest to both the old and the new owner to get optimal use of the social assets. Among interested customers there will also be employees and former employees. If the customer is a private person or private business, normal business negotiations have to take place. In that process, it is the responsibility of the unions to try to safeguard the interests of the workers.

Each proposal for privatization should contain certain basic information on social assets including: (a) information about the way the State acquired the property, (b) assessed value of the property, (c) if a commercial company is to be founded, its legal form, (d) if a joint-stock company is to be founded, description of the method for dividing the shares, the types of shares or investment vouchers and their percentages, (e) in the case of sale, its form and method for determining the

cost-effective and help prevent displaced workers from falling into long-term employment. When it is a question of total divestiture and closure of a plant, and all the employees will be affected in a similar way, the situation, in a way, is more easy to handle for the unions. In a situation when some activities are going to survive and others not, the situation is more complicated.

*Legal Basis:* The length of notice, and financing of services, need legal definition and supporting regulations. Longer periods of notice are preferable to shorter periods as the evidence suggests that notice of only two or three weeks has negligible effect on shortening periods of unemployment of displaced workers as this does not allow stakeholders to mobilize support. And, contrary to rumor, there is no evidence that productivity of the workforce is adversely affected during a notification period (U.S. Department of Labor, 1986) and in fact there is some evidence to the contrary (i.e., workers are more productive, as they want to demonstrate that they do not need to be displaced). Different periods of advance notification for large scale layoffs are found, usually varying from 30-90 days, and the notifications include definitions of large scale layoffs. The definition of large scale needs to be done carefully, and regulations usually combine a proportion of the labor force of a particular enterprise (i.e., 10%) with a minimum level (i.e., 100 workers in a particular location). The size of the qualifying layoff may vary by the size of the community where the enterprise is located. It is not useful or administratively workable to initiate specialized services for very small numbers of displaced workers who can probably be handled by normal services for the unemployed.

*Services:* Typical services include: (a) establishing eligibility and assessing the interest of workers in temporary income support and labor redeployment programs, (b) worker skill audits, (c) provision of initial in-plant job counselling and placement services, and (d) provision of public information on restructuring. The evaluation material shows that the delivery of services works best on-site where the displacement will, or has

### III. POST LAYOFF SERVICES

#### Objective

The overall objective of these services is to provide temporary assistance to displaced workers while they are unemployed and to assist the unemployed in re-entering the labor market as quickly as possible. As mentioned previously, there are basically two types of services: (a) temporary income support, and (b) labor redeployment services. The assessment for the demand of these services should be accomplished during the pre-layoff steps described in Section II of this paper. It is critical that leadership for organizing the services, developing necessary administrative framework for implementation, and obtaining necessary financing is completed during the pre-layoff stage. Public information about the nature of the services, for displaced workers as well as service providers is also important. Above all, care should be taken during the pre-layoff stage not to advertise services that cannot be delivered, as this will add to, and not reduce, social tensions. In defining and advertising the services several key questions must be addressed including:

- What services are currently available,
- Which of these services can be rapidly expanded,
- What services can be added,
- Who will deliver the services,
- What will be the cost of the services,
- How services can be targeted in a manner that will make the most cost effective use of public funds, and
- What type of evaluations should be done to improve the impact and cost effectiveness of the services?

In making decisions on the above issues it should be noted that there is no one

community. Isolated communities, where one employer dominates, are a particular problem. Income support programs can be quite costly in the short-run (e.g., in excess of an average of US\$10,000 per worker in middle income countries), however costs can be reduced significantly if displaced workers are able to find alternative employment rapidly. However, sometimes paying workers “not to work” is less costly than continuing to employ them in loss making enterprises. There are a range of alternatives for income support, each of which should be examined as to timing, level of support, and how it can be integrated into an integrated package that is affordable, limits abuse, does not have overlapping components that allow double payments, and is targeted in a manner that will protect the most vulnerable and not encourage long-term unemployment. The alternatives are summarized in Figure 2, and briefly described in the succeeding paragraphs.

**Figure II: Types of Income Support and Application**

TYPES OF INCOME SUPPORT PROGRAMS	Employment Status		
	EMPLOYED	UNEMPLOYED	RETIRED
WAGES AND EARS	-----		
SEVERANCE		---	
UNEMPLOYMENT BENEFITS		-----	

- *Social Assistance*: These payments normally act as a social safety net for those who do not qualify for, or have exhausted, regular unemployment benefits. Payments are usually means tested, family based, normally at lower level than unemployment benefits, and linked to poverty lines.
- *Individual Pension Accounts*: these payments amount to a contribution defined pension or unemployment benefit system where each worker deposits a portion of his/her salary in an interest bearing account, and in the case of job loss or voluntary separation he/she can withdraw from the account. Such systems, which are sometimes found in Latin America, support labor mobility, make workers directly aware of the consequences of poor job performance, but may not compensate workers adequately when job loss is beyond their control.
- *Regular Severance*: Many countries have these, and amounts vary depending on length of employment (i.e., 30 days for up to five years service, 90 days over 10 years, etc). Other countries may have a more extensive system that substitutes for unemployment benefits. Turkey had such a system where workers got one month of severance for each year worked up to a maximum of 12 years. These latter systems are theoretically financed by enterprises, but if state owned enterprises enter bankruptcy the Government usually becomes liable. Such systems do not promote labor mobility, but do provide some worker protection in the absence of a formal unemployment benefit system.
- *Special Job Loss Compensation*: These payments are in-addition to regular severance, and are designed to “pull” or “entice” more workers to leave, payments range from 1-2 years of salary (depending on conditions and length of service), payments should be made on a lump sum severance basis to encourage investment and not consumption. They normal decline in size over time to increase initial impact. If payments are not made in a lump sum this may discourage investment

company. This may also stimulate productivity, but as an income support measure is not viable if the company is liquidated.

### **Labor Redeployment Services**

These programs are designed to help “assist and push” displaced workers back into the labor force to increase overall productivity and decrease use of income support payments. These services support, and need to be coordinated with, income support payments. There is evidence that labor redeployment programs can have a significant positive impact (Fretwell, 1999; Dar, 1999) if appropriately targeted and well run (e.g. services are demand driven and delivered by service providers which have performance based contracts). Services are normally used by about 1/3 of workers and are relatively low cost (e.g., averaging US\$50-1,000 per worker in middle income countries depending on the nature of the service provided) as compared with income support payments (see Figure III for typical unit costs). It should also be noted that while income support payments are usually directed only to displaced workers, that other affected workers (e.g. family members, secondary layoffs) are often allowed access to redeployment services. This can help produce positive social and political reactions to economic reform programs, at a reasonably low cost. A variety of services is needed to address three conditions commonly experienced by displaced workers who are trying to re-enter the labor market:

- *Frictional Unemployment:* Displaced workers have marketable skills for which there is demand, but they need intensive job placement assistance. These services can have a substantial positive impact on re-employment and have a low unit cost. These services can include assistance for remote job search and relocation at a low unit cost.
- *Structural Unemployment:* Displaced workers lack skills, or their skills are not in demand, and need some re-skilling to compete and re-enter the labor market.

creation and have already been implemented successfully in OECD and Middle Income Countries (i.e., Poland, Romania, Turkey, Macedonia)

**Figure III Typical Unit Costs Per Client for Labor Programs**

Type of Program	Czech Republic	Hungary	Poland	Turkey
Employment Services	12	25	30	17
Training	265	500	300	200
Public Service Employment	625	1,200	800	N/A
Wage Subsidy	885	950	560	N/A
Self employment	885	1,000	2,830	N/A

Efficient administration these programs, in response to worker demand, are critical to their success. The programs may run in parallel with normal programs for the unemployed, but may have different criteria due to the clientele (i.e. training programs

In summary, some key lessons learned from operation of labor redeployment programs include a need to:

- Ensure sufficient financing at the outset so programs do not have to be terminated early with subsequent social and political problems.
- Use performance based contracting (i.e., negotiate job placement or business start-up rates) with service providers to maximize impact and quality.
- Implement ongoing gross impact evaluations, and infrequent net impact evaluations (see Section IV of this paper).
- Assess and screen applicants before entry to programs to increase impact and cost effectiveness.
- Limit the use temporary community employment programs as their impact on downstream employment may be negligible or negative, and the programs are very expensive. Use other types of income support.
- Be careful in generalizing from research on impact of programs from other countries, instead evaluate ongoing programs and adjust criteria as necessary.
- Realize that well designed and targeted programs may have a positive net impact, but poorly designed and targeted programs probably will not have any economic impact.

Finally, it needs to be emphasized that labor redeployment programs, in and of themselves, do not create jobs. They help create needed human capital and improve the mobility of labor. But, in the end, it is investment and economic development that creates employment.

## IV. EVALUATION AND MONITORING

Evaluation and monitoring of activities needs to be built in as an integral part of any social mitigation activity related to privatization and restructuring. In undertaking evaluations, the social, political, and economic objectives of the programs need to be taken into account. Consideration should be given to incorporating several types of evaluation into the social mitigation programs.

- *Income support programs:* Normal fiscal and administrative audits need to be completed for all programs to ensure payments are going to eligible persons. Audits should include matching of individual worker records between programs, if possible, to identify individuals who may be getting illegal duplicate payments (i.e., they are on unemployment benefits and getting a salary as a participant in a temporary community employment program). A decision also needs to be made if workers who get special lump sum severance payments automatically become immediately eligible for additional unemployment benefits. Normal practice is to delay eligibility (i.e., if a person gets two years of special severance, eligibility of normal unemployment benefits may be delayed for 6-12 months). Special attention also needs to be paid to the disbursement of severance payments to workers, particularly if the funds are provided to the enterprise, which then makes payments to individual workers. Finally, there needs to be an audit of any “re hiring” of workers at the enterprise from which the worker was displaced. This can often be done by matching worker identification numbers with pension or employment registration data.
- *Follow-up of Displaced workers:* Regular (i.e., every six months) sample follow-up of displaced workers needs to be completed to find out if there are special vulnerable groups (i.e., older workers, women, minorities, lesser educated

targets, provide them with information regarding the degree to which programs are achieving agreed outcomes, provide comparisons between programs and regions, and improve cost-effectiveness of programs. However, performance indicator evaluations do not provide net impact data, as they do not compare participants with similar non-participants. The second evaluation method, which relies on “comparison group design” procedures, does provide net-impact information and can assist program managers and policy makers to make key decisions about program design and implementation. Comparison group design evaluations accomplish this by comparing the degree to which program participants and non-participants, with similar observable characteristics, achieve program outcomes (e.g., do participants in small business assistance programs have a better success rate than non-participants). A number of these evaluations have been successfully carried out in middle-income countries at a modest cost (i.e. US\$150,000) considering the large amount of funds being spent on the programs (Fretwell, 1999).

- *Social Infrastructure*: There is also a need for ongoing monitoring of the divestiture of social infrastructure (i.e., schools, clinics) to ensure that critical infrastructure operated by the SOE is not eliminated with a negative impact on social services. This can usually be done with a simple survey every six months to the SOE involved.

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