



## RESTRUCTURING OF REGIONAL STRUCTURES OF PKN ORLEN S.A.

During the period from 30 March to 1 July this year, Polish Petroleum Company PKN ORLEN S.A. carried out an essential restructuring of its employment and organisational structure. The employment was reduced by approx. 350 persons, without group dismissals. The process was carried out in conditions of social agreement, with avoidance of conflict, in spite of the fact that the Management Board terminated trade union agreements which contained: guarantees for structures of many internal employers entered into the Articles of Association and specific trade union rights. The Management Board put special emphasis on strict compliance with the law, the transparency of the process and its wide communication at each stage.

### Reasons

During the years 2002-2004 the share of PKN ORLEN S.A. in the retail market was reduced from 35.4% to 28.6%, i.e. almost by 7%. A thorough and in-depth analysis of effectiveness of business structures functioning so far has been conducted. As a result, a recovery program was prepared, which was approved by the Supervisory Board and, upon its propagation, accepted by market analysts and shareholders. The aim of this program is to reverse the negative trend of market share decrease and obtain a retail market share of at least 30 per cent until 2009. The restructuring of regional

structures became an essential part of activities aimed at checking the market share decrease and maintain the competitiveness of the Concern.

The actions undertaken in order to standardise employees' matters throughout the Company, especially by liquidation of 12 internal employers, will make it possible to finish the integration of Petrochemia Płock S.A. with CPN S.A. in this socially sensitive area by eliminating the artificial employment structure which consolidated separate characters of post-CPN structures after the formal merger of both companies. These were based e.g. on 17 different systems of remuneration establishment in the former Departments of CPN S.A., 12 separate work regulations and 12 employee benefit fund regulations.

### PROGRAM GUIDELINES

In the wide-range comprehensive restructuring program, social aspects of the process were highlighted. It was basically assumed that the implementation of the new regional structure would be done with the help of its current employees. The restructuring process should be conducted in accordance with approved principles contained in restructuring agreements and be supported by social protection packages for employees. The company guaranteed an extensive support for employees who would like to change their place of employment or undertake business activity.

For this purpose, a multi-level

special benefit system was prepared in order to encourage employees to make difficult choices and decisions. Its decisive shape was to be elaborated in the course of negotiations with trade unions, in order to conclude relevant agreements specifying the rights of employees connected with restructuring processes.

### STRICT COMPLIANCE WITH THE LAW

When preparing the guidelines for the restructuring program, the Management Board found it indisputable that the program must be implemented in compliance with the law, in a transparent manner predictable for the social partner. The formal & legal part of the process of reaching the planned structures was laid out for three months – the period of notice with which the Management Board terminated current agreements with trade unions of the former CPN S.A. that sanctioned the effective multi-employment structure. It is the maximum period of notice indicated by legal experts for this kind of agreement. The decision on such advance period was made in order not to surprise social partners with a new situation and in order to have some time for a dialogue intended to work out the optimum protection of employees' interests. The intention of the Management Board of PKN ORLEN S.A. was not to deprive the Trade Union Party of its useful rights. Therefore, together with guidelines for the restructuring program, the draft of

the Agreement on conditions of trade union activity in regional structures of PKN ORLEN S.A. was presented. The subject of the draft was the granting of additional rights to regional trade union structures, thanks to which their activity could be conducted in an unrestrained way.

The restructuring process on the social level was implemented within the framework of some necessary and indispensable legal streams:

- Internal Agreement on the regulation of employees' situation in the event of restructuring activities in PKN ORLEN S.A. and the participation of trade union organisations in the restructuring of PKN ORLEN S.A., concluded on 23 December 2002.

- Group dismissals.

- Taking-over of employees according to the procedure stated in Art. 231 of the Labour Code

- Collective labour dispute

**In spite of the abundance of legal streams within one process, sometimes mutually overlapping, hundreds of necessary documents, the need to co-operate with external institutions / Labour Offices, National Labour Inspection, Ministry/, interventions of members of Parliament and administrative bodies, the accurate and tight schedule of legal actions was implemented.**

## **TRANSPARENCY OF THE PROCESS**

From the beginning, social transparency was one of the basic assumptions of the regional restructuring program, so that all problems, even the most difficult ones, could be solved by conducting a fair dialogue with the social problem and seeking optimum solutions for employees. According to the Restructuring Agreement, consultations of the project of restructuring of regional organisational struc-

tures were started on 30 March this year with a large group of trade union representatives. The trade union party received detailed information concerning the restructuring project and its consequences with regard to employment. Members of the Management Board took up the duty of communicating directly to employees of Regional Organisational Units the assumptions of the special benefit offer addressed to them and listening to their opinions and comments to the program. Taking these suggestions into account, the Management Board found it possible to modify its original proposal e.g. with regard to location of seats of new structures. In view of the social aspects of the restructuring process, especially the dramatic situation on the labour market in Eastern provinces, the location of the seat of the Central Region was transferred from Łódź to Lublin.

An intensive informational campaign was conducted by company media. Apart from normal issues, 6 special issues of the Orlen Express newspaper were published and special web sites on the subject of restructuring were created on the Intranet. The internal broadcasting station of the company also devoted much of its air time to this matter.

However, direct meetings with trade union organisations were of largest importance. During 110 days of negotiations, a total of 20 meetings, including consultations, was held with trade unions, excluding consultations with trade union leaders in smaller bodies. A group of approx. 40 trade union representatives took part in each of the meetings, which represented 23 trade union organisations functioning within the Concern.

## **THE WILL TO REACH AGREEMENT**

In spite of the declaration of the

Management Board concerning the performance of the restructuring process according to the social dialogue principle, the clarification of details of planned changes to social partners, the proposing of attractive and fair financial benefits to employees and the maintenance of trade union privileges, a part of the trade unions protested against the restructuring program.

Regional trade union organisations set up a National Trade Union Protest Committee, conducted a strike referendum among employees of Regional Organisational Units, organised a picket in front of the Administrative Centre in Płock and declared a collective labour dispute. However, the consistent implementation of the schedule of legal activities, the introduction of an incentive benefit offer for employees and the determination of the Management Board to continue the dialogue gave results. Around 630 employees declared that they would choose the Voluntary Retirement Program. Therefore, it was not necessary to give notices of termination of employment contracts to the employees who did not find employment in the new structure and were subject to the procedure of consultation with trade union organisations. This number exceeded significantly the amounts presented by the Management Board within the framework of the regional restructuring program.

**On 21 July this year, the Agreement on the termination of the collective labour dispute and rights of employees and trade unions connected with the implementation of the Program of Restructuring of Regional Structures of PKN ORLEN S.A. was signed. On the day of conclusion of the Agreement, the National Trade Union Protest Committee was dissolved and the collective labour dispute was terminated.**