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Understanding the Pathways to Above-Mandatory Severance Pay When Downsizing: A Qualitative Comparative Analysis of 20 Cases in France

Pierre Garaudel, Rachel Beaujolin, Florent Noël
and Géraldine Schmidt

This article explores the social mechanisms that lead French social partners to opt for severance indemnity when bargaining collective layoffs despite institutional frameworks that promote outplacement services over severance pay. Using a Qualitative Comparative Analysis (QCA) methodology applied to 20 monographs on restructuring that took place in France during the 2000s, we explain above-mandatory indemnity by the combination of a power struggle balanced in favour of employees (availability of financial resources and presence of active unions) and moral or economic damage caused to laid-off workers (weak legitimacy of restructuring rationale and degraded employability).

KEYWORDS: downsizing, restructuring, employment, severance pay, industrial relations, Qualitative Comparative Analysis (QCA).

Introduction

The literature on downsizing mostly focuses on the antecedents of the decision to downsize and its consequences for individuals and organizations (Datta *et al.*, 2010). Although the process of downsizing itself has not received much attention, management scholars demonstrate that building legitimacy is a major factor in minimizing the hidden costs of downsizing in the short term and mobilizing survivors toward a renewed strategy. These statements lead them to exhort management to pay attention to internal and external communication, and to

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offer appropriate severance packages, including advance notice, indemnity, and outplacement services (Brockner *et al.*, 2004; Cameron, 1994; Cascio, 2002).

Reflecting mainly on North American experiences and contexts, this literature emphasizes the role of management in unilaterally deciding the content of these packages. Conversely, European research on restructuring is more inclined to consider severance packages as the result of institutional pressures restricting managerial latitude (Bruggeman and Gazier, 2008). This literature considers downsizing decisions to be critical events, recognizing that they lead to public disapproval and violent reactions from employees, union representatives, and local communities. Severance packages are thus understood to be the result of power struggles and collective bargaining framed by industrial relations systems and legal procedures. This European approach emphasizes rules and laws and denies managerial latitude. Somewhere between these two opposing research traditions, there is a gap in knowledge on the social processes of compromise and the extent to which the strategies adopted are intricately embedded in social regulations and institutions.

This difference in the way scholars deal with downsizing is probably rooted in the different ways economies and capitalism are organized. As pointed out by Hall and Soskice (2001), in Anglo-Saxon countries, market mechanisms play a major role in organizing the economy and, more specifically, labour markets. Conversely, European countries consider labour commodification as something to be avoided, and economies tend to rely more on cooperation and coordination to reach a negotiated equilibrium. As the result of political preferences, European institutional settings regulating downsizing tend to foster consensus concerning the industrial strategies underlying workforce adjustment decisions and make sure displaced workers will not be abandoned to labour market pressures. This explains why regulation emphasizes internal mobility or, when layoffs cannot be avoided, active labour market policies (such as training and outplacement services).

From this perspective, the French case is highly interesting. As measured by the OECD employment protection index, France has one of the most protective regulations in terms of permanent contract termination among developed countries. As shown by Petrovski *et al.* (2008), French regulation is law-driven: collective redundancies must proceed according to a formalized consultation process through which employers first have to demonstrate a “real and serious cause” related to economic difficulties and, second, have to propose a social plan aimed at reducing the risk of unemployment through internal mobility, training, and outplacement services. The letter of the law is clear: restructuring must be negotiated in such a way that firms’ strategies and workers’ career paths are as compatible as possible (Garaudel *et al.*, 2008). In order to focus energy and resources on reducing

unemployment risks, the legally required level of severance pay remains very low: approximately one-fifth of a month's salary per year of service.

Although French laws exhort the social partners to negotiate and agree on both corporate strategies and in-placement and out-placement services, the weaknesses of French unionism often foster confrontational relationships and formal negotiation (Laroche, 2015). Moreover, the logical consequence of this strong employment protection is the high level of dualism in the labour market, and the permanence of a high level of long-term unemployment in Europe in general, and in France more specifically (Boeri, 2011; Gill *et al.*, 2013).

Throughout the 2000's, French labour economists, led by Blanchard and Tirole (2003), entered the public debate with arguments blaming severance pay for its contribution to long term unemployment by postponing workers' efforts to find new jobs and simultaneously rigidifying the labour market by increasing labour adjustment costs. This debate inspired labour market reforms. The core foundation of these reforms was the notion that financing labour mobility through training and job-search counselling would lead to a more satisfying collective equilibrium than compensating individuals' revenue losses. These ideas directly inspired major labour market reforms in France in the area of continuous training in 2004, labour contract termination in 2008, and collective bargaining and job transitions in 2013.

However, many collective redundancies during the same period received high media-coverage. Although difficult to measure statistically, these operations, which were mostly conflictual, led to final compromises including impressive severance pay packages (50000€ for Continental in 2009, 45000€ for Delphi in 2008, 2500€ per year of seniority for Kléber in 2008, to name a few). Many political commentators warn about the ambivalence of these indemnities: they can be interpreted either as compensation for damage or as a disguised eviction of laid-off workers from the labour market (for a synthesis of the debate, see Ramonnet, 2010). In this vein, scholars plead for policies that favour job transitions by inciting employers to fund them (Tirole, 2014; Auer and Gazier, 2006). In the French context, where the costs of unemployment are mostly collectivized, above-mandatory severance pay that is not reinvested in improving the efficiency of the labour market can be considered as a way to facilitate layoffs at the individual level without solving their collective consequences.

The aim of this article is to explore the contextual conditions that explain why employers, employees, and their representatives deviate from the institutional framework and opt for indemnification. Does this trend mirror workers' lack of confidence in the efficiency of outplacement devices? Or should it be interpreted as a radicalization of industrial relations, which leads workers to make their employer pay for the loss of their jobs? Is it a way for unions to

demonstrate their power to their members, and their capacity to obtain something tangible that goes beyond legal obligations? Is it a way for employers to buy social peace and ease their conscience? We suggest that the answers to these questions lie in the social context and the type of mechanisms that prevail when deciding, negotiating, and implementing downsizing strategies with redundancy plans.

It is commonly accepted that researchers have to abandon large-sample quantitative studies in favour of qualitative analysis and case studies when exploring social context and mechanisms. However, qualitative methodologies fail to deliver stable results and to exhibit regularities. To address this challenge, we used the Qualitative Comparative Analysis method (QCA), primarily developed by Ragin (1987) and introduced into the field of management research in the early 2000s (Chanson *et al.*, 2005; Rihoux *et al.*, 2013). QCA is a rigorous comparative method that enables the discussion of many cases simultaneously and the identification of regularities among a variety of cases, wherein complexity and specificities are not completely crushed. This quality makes QCA an intermediary methodological device between qualitative and quantitative research.

Our article is structured as follows. First, we present the methodological implications of the QCA and the 20 monographs on restructuring processes we collected for this research. Then, on the basis of the previous literature and case analysis, we discuss some of the antecedents we identified as plausible explanations for above-mandatory indemnities. Our results indicate that above-mandatory indemnity is the result of the intensity of the power struggle between management and unions and the presence of financial or moral damage experienced by workers.

Method: a Qualitative Comparative Analysis (QCA) of 20 cases in France

Attempting to identify the mechanisms that lead to above-mandatory severance-pay packages requires understanding what is at stake in different local contexts, in terms of industrial relations as well as the restructuring process itself.

General features and benefits of the QCA method for IR research

Multiple-case analysis appears to be a relevant approach, as it allows us to build deep knowledge about a range of diverse situations. A configurational approach can also help account for the complexity of social mechanisms, avoid oversimplification of the relationships between variables, adopt a systemic and holistic view of organizations, and define sets of variables related to a given outcome

(Fiss, 2007), which appears to be central to organization studies. Miller (1990) has contributed to legitimizing and consolidating the configurational approach in management studies, but readily admits that “the diverse and complex internal relationships composing configurations require that taxonomists eschew linear methods in favour of grouping techniques that discover nonlinearities in the data space.”

The QCA method, developed and promoted by Charles Ragin (1987), is in line with the requirements for multiple case studies and a configurational approach, and is especially suited to a moderate number of case samples (between 10 and 50): it is usually acknowledged to reconcile the strengths of both qualitative, case-oriented approaches and quantitative, analytic, formalized approaches (Rihoux and Lobe, 2009). On the one hand, it is holistic, case-sensitive, and based on a concept of multiple and contextual causalities; on the other hand, its formalization on the basis of Boolean algebra makes generalization, middle-range theory building, and replication possible (Ragin, 1987; Rihoux and Lobe, 2009; Sager and Andereggen, 2012). As noted by Fiss, QCA is an interesting response to the empirical pitfalls of configurational studies, based on a “mismatch between methods and theory”: it assumes complex causality, asymmetric and nonlinear relationships between variables, and possible synergistic effects. It also assumes that two or more combinations of variables can be equally effective, allowing space for multiple paths to a specific outcome—the equifinality principle (Fiss, 2007). In this sense, QCA is both an approach and a technique (Rihoux and Lobe, 2009).

From cases to theory... and back to the cases: an “analytic inductive” process

Cases constitute the core of the QCA method. The types of cases, as well as the right way to select them, are part of the methodological debate surrounding the method. First, cases have to be conceived as empirical units from a realist perspective (as opposed to theoretical constructs from a nominalist perspective); second, cases can be specifically developed in the course of the research, or be chosen outside the research (Rihoux and Lobe, 2009). As a “generative” process, QCA starts with an individual, specific and contextual interpretation of each case included in the analysis, and only then reduces those cases to a small set of variables; hence the constant back-and-forth between variables and QCA results, but also the deep knowledge of individual cases (Berg-Schlosser *et al.*, 2008). The QCA method, however, is not exclusively inductive in nature. Rather, it is a “theory-driven approach to empirical observation” (Sager and Andereggen, 2012) or an analytic induction (Rihoux and Lobe, 2009): knowledge is generated through a dialogue with data, but theory is used to select the relevant variables,

operationalize them, and make other decisions in the QCA process (Berg-Schlusser and De Meur, 2009; Sager and Andereggen, 2012). The method is expected to trigger new knowledge and new insights, building new segments of theory (Fiss, 2007). QCA thus combines the intimate knowledge of the cases with the power of generalization (Rihoux and Lobe, 2009).

We selected our set of cases according to several criteria. First, the unit of analysis was the restructuring process rather than the company or organization: if a given firm had experienced multiple subsequent or simultaneous restructuring processes, we focused on one specific operation. Second, we focused on processes that took the form of a legal collective layoff plan, including the collective negotiation of severance packages. Both criteria led us to reject several cases initially included in our sample. Following Rihoux and Lobe (2009), we included two types of cases in our sample: some we developed, others were selected from external sources.

The first set of 12 cases consisted of those we conducted in France between 2005 and 2009, in different contexts but using the same methodological foundations. For each of these first-hand cases, we were able to perform an in-depth analysis thanks to our access to diverse information on the history of the firm, the downsizing decision, HRM practices, the implementation process of the decision, and its outputs. A similar methodology was implemented to collect the data used to formalize the studies. Each case study rested on the identification of relevant actors. Initially, it appeared essential for us to meet typical actors (group management and local management representatives, union representatives, joint committee experts, public administrative actors and elected local representatives). However, during these first exchanges, interlocutors were asked to direct the researchers toward others whom they thought we would be interested in meeting. Between 15 to 20 semi-structured interviews were carried out with the help of interview grids. Actors were encouraged to talk in particular about the history of the company, the restructuring decision and its announcement, the people involved, and the progress of the implementation of the decision. These data were triangulated with local and national press reviews, works council minutes, and expert reports submitted to works councils.

The second set of cases comes from secondary data. We identified approximately 50 cases in the academic literature, working papers, research reports, PhD theses, etc., corresponding to a diversity of restructuring situations and processes, each of them the subject of a monograph written by scholars and/or experts. From these cases, we finally selected eight that appeared homogeneous and detailed enough to be compared with the first group of cases, in particular, in terms of research method, description and analysis of the IR system, HRM practices,

TABLE 1
Cases

Cases	Primary (P) or secondary (S) data	Industry sector	Period of the restructuring process	Firm size (Number of employees) + belonging to a group Yes/No
Phone	P	Phone	2004	770 (Yes)
Glassy	P	Glass	2003-4	110 (Yes)
Games	P	Video games	2002-3	400 (No)
Leisura	S	Leisure	2006-7	2500 (Yes)
Household	S	Household electric goods	2001	5500 (Yes)
Shoes	S	Shoes	2001	1000 (Yes)
Steelworka	S	Steel	2003-4	800 (Yes)
Store	S	Retailing	2005-6	750 (Yes)
Textile	P	Clothing	2002-3	780 (Yes)
Arms	S	Defence	2006	3700 (No)
Socks	P	Clothing	2001	200 (Yes)
Plastics	P	Auto parts	2009-10	350 (Yes)
Automotive	P	Auto parts	2006	250 (Yes)
Pneumatics	P	Pneumatic	2008-9	310 (Yes)
Pharmacy	S	Pharmaceutics	2003-6	1200 (Yes)
Pipeline	P	Pipeline	2003	170 (Yes)
Pharmadrugs	P	Pharmaceutics	2009-10	580 (No)
Caravano	S	Automotive	1993-5	2600 (Yes)
Heatho	P	Gas machinery	2009	210 (Yes)
Roadtransp	P	Transport	2004	100 (Yes)

and restructuring processes and outputs. We completed these data with press reviews and other publicly available data on the companies and restructuring processes (see Table 1).

Overall, these 20 cases cannot really be considered representative of the redundancy plans conducted in France during the 2000s; however, the sample is diverse in terms of firm size (from medium-sized to large multinational companies), sector (industry and services), location (rural and urban), type of redundant manpower (blue- and white-collar), and the economic and financial contexts of the downsizing firms. Ultimately, as recommended by Greckhamer *et al.* (2008), we can consider that these cases constitute a population of relevant cases on downsizing implementation practices in France during the 2000s. Furthermore, the degree of familiarity that we had (primary data) or gained

through reading and seeking additional information (secondary data) on each case allowed us to conduct the iterative and creative process inherent to the QCA method through ongoing dialogue between variables and case studies (Rihoux, 2003), as illustrated below.

At first glance, these 20 cases do not exhibit any clear determinism between the type of contexts and social mechanisms on the one hand, and the level and content of the severance package on the other. Hence the need for a deeper understanding, justifying the use of the QCA method, which drives us to explore conditions and outcomes iteratively. In the following section, we discuss some of the antecedents of above-mandatory indemnity.

Defining and refining conditions

It is not within the scope of this paper to account for the detailed iterative process that led us to identify plausible conditions of above-mandatory indemnity. Briefly, we began by continuously confronting our initial ideas and intuitions with both theoretical groundings and empirical data; subsequently, we benefited from team work, through ongoing collective discussion and systematic multiple coding. In order to define the conditions and outcomes of our empirical study, we based our exploration on both the knowledge we derived from our case studies and the existing literature. More precisely, we followed a rather analytic inductive process to define conditions based on our deep knowledge of the primary cases and their context, and then coded our secondary cases. This process led us to three main ideas around which antecedents (or conditions) are defined: the first is that indemnity will be more likely if the firm has the financial resources available to fund it; the second deals with the kind of damage workers may experience by being laid-off; the third regards the way workers are organized and the nature of industrial relations.

Availability of financial resources

It is a truism that indemnity results from the financial leeway available for firms to fund the restructuring operation underlying layoffs. Even though we can assume financial resources are a necessary condition for indemnity to be paid, this condition deserves a more in-depth examination. Many of our cases concern firms that reduced their workforce because they faced financial difficulties and even entered recovery proceedings. In this kind of financial turbulence, it may be more difficult for workers to claim indemnities, and employers may be more reluctant to accept. The first argument is that if the “size of the pie” is smaller, indemnities can be expected to be lower. Additional arguments can also be brought to support this idea.

First, firms facing the risk of bankruptcy have to respect the interests of many creditors—their workers, of course, but also their suppliers or local communities. French legal procedures give priority to workers: wages must be paid first, but not indemnities. Moreover, the scarcity of resources also fuels possible rivalries between workers who are to leave the company—and wish to take everything they can obtain with them—and those who stay and prefer the firm to retain resources to support its recovery efforts.

Second, when facing financial distress, firms often receive financial support from public authorities. This results in an increasing focus on formal procedures and legal framework. As mentioned above, formal procedures in France do not favour indemnities, but rather encourage firms to provide outplacement services. When restructuring is supported by public funding, deviations from these objectives of general interest are more difficult (Petrovski *et al.*, 2008). However, in some cases, firms do not face financial difficulties and restructure in a more proactive way (enhancing profits, reinforcing competitiveness). These companies might have more interest in distributing indemnities, and unions more legitimacy in claiming them. The French legal framework often sets social obligations in terms of “best efforts,” which have no upper limit. Financially comfortable firms might thus have more to offer. French labour laws state that firms should not undertake lay-offs unless they can justify a “real and serious cause” and “economic difficulties.” In such a case, they may prefer to avoid layoffs by reinforcing job attrition or internal mobility, or to buy “social peace” with generous indemnities. In some of our cases, for example, workers asked unionists to stop negotiating a reduction in the extent of downsizing before the indemnity was announced.

On the basis of these preliminary thoughts, we proposed that financial resources are a condition for indemnity. We coded financial resources “0” when firms adopted downsizing in an attempt to avoid bankruptcy or when the downsizing operation received financial support from public authorities. We coded financial resources “1” when the situation of the company was financially sustainable at the time downsizing was decided and negotiated, or when the company could obtain financial support from a non-public entity, such as a holding or an industrial group to which it belonged.

Nature of the damage to be compensated

The French legal procedures framing collective dismissals encourage employers and employees to reach agreement on severance packages that reduce the risk of unemployment through internal mobility or facilitate outplacement and the revitalization of territories. The aim of this framework is to reduce negative collective and individual externalities of downsizing processes, which

is of public interest as the cost of unemployment is largely borne by the collectivity through social benefits. In addition, the legal framework discourages indemnities, since they may slacken unions' and employers' efforts to find alternatives to job cuts. In a word, anything that makes layoffs desirable is to be avoided.

In many of the cases we collected, when above-mandatory indemnity was bargained for, negotiators provided justification, presenting indemnity as an important feature of the compensation for damage experienced by workers that could not be addressed through outplacement services. Layoffs were presented as a unilateral management decision that jeopardizes income stability and leads to workers' negative anticipation of their future income. When job security and income stability are considered important features of an implicit, or psychological, contract, layoffs can lead to the perception of a violation of this contract (Rust *et al.*, 2005; Van Buren, 2000). The potential damage can then be examined from two perspectives: the first is economic (indemnity as compensation for anticipated loss of revenue); the second is moral (indemnity as compensation for betrayal, even if workers remain confident in their ability to find a comparable position quickly). Layoffs and the subsequent job insecurity are considered as trauma in addition to being economic issues (Greenhalgh and Rosenblatt, 2010).

From our cases, it is possible to derive an explanation for indemnity as compensation for the future loss of revenue. For example, when workers are far from retirement or when their mortgages are far from being paid off, they will probably consider being laid-off as a more challenging economic issue. The loss of revenue calls directly for a discussion on workers' employability. The economic consequences of job loss are more negative when workers are less employable, because the likelihood of long-term unemployment or redeployment in a less favourable position is higher. We could thus assume that unemployable workers would be much more likely to claim indemnity than employable workers. One could argue that this job-seeking issue would be addressed more efficiently through outplacement services and skill development policies (Challenger, 2005; Westaby, 2004). However, outplacement services are not a panacea. In France, professional trajectories usually remain chaotic and precarious after a layoff, and the likelihood of income recovery is quite low (Beaujolin-Bellet *et al.*, 2009).

In order to operationalize employability, we considered employability as the likelihood of a satisfying professional recovery after layoff. Drawing on the literature on this concept (De Grip *et al.*, 2004; Gazier, 2006; McQuaid and Lindsay, 2005), we combined three criteria to define the extent to which workers are or are not employable. We first considered the degree of workers'

qualifications—more precisely, the average level of education among the population under consideration. However, we did not restrict employability to this single dimension. We also considered the dynamics of the local labour market, making a basic distinction between downsizing in rural areas with few professional alternatives and downsizing by firms in large cities where there are more job opportunities. Lastly, we considered some characteristics of the firm's HRM regarding the population concerned by the layoffs; we assumed employability to be lower when seniority was high and when HRM practices did not promote internal mobility and skill enhancement prior to layoffs. We thus coded employability "1" when at least two of these three criteria of the operation were observed (highly qualified workers, dynamic local labour market, and prior HRM employability-enhancing policies).

The other dimension of the damage workers may cite when claiming indemnity is related to the perceived violation of a psychological contract. More generally, we suggest that indemnity is associated with the perceived legitimacy of the restructuring process. As posited in the academic literature, the socio-affective relation that employers and employees may develop over time is a major feature of the employment relationship (Rousseau, 1995). Many scholars, in line with Brockner's (1988) seminal work, examine the reactions of workers to layoffs through justice theory, and draw attention to the necessity for employers to treat victims fairly in order to stabilize the survivors' reactions (Brockner *et al.*, 1992).

In line with this stream of research, we proposed to examine indemnity as a way to counterbalance perceived injustice in order to regulate workers' reactions. The literature provides evidence that both distributive and procedural justice impact the reaction to layoffs and may explain the perception of damage (Brockner *et al.*, 1994; Brockner *et al.*, 1995; Clay-Warner *et al.*, 2005). As a matter of distributive justice, we then consider layoffs to be fair when: a- the decision is comparable to other decisions made by other companies facing similar situations; and b- when the decision can be explained by external factors beyond the scope of managerial latitude. More precisely, for each of our cases, we considered the situation of the industry and the incidence of downsizing at the sector level.

We also considered the fairness of the layoffs as a matter of procedural justice. The literature identifies many factors affecting the perception of fairness in layoffs: the influence of communication and leadership (Mansour-Cole and Scott, 1998; Sahdev, 2004); the perceived control of workers over their situation (Brockner *et al.*, 2004); attempts by management to find alternatives to layoffs (Brockner *et al.*, 1995; Greenhalgh and McKersie, 1980); etc. We therefore qualified our cases as being legitimate or otherwise, depending on the quality of the procedures leading to the decision and its implementation.

We thus coded legitimacy “1” when at least two of the three following characteristics of the operation were observed: repeated downsizing and layoffs within the industry; manifest attempts to identify alternatives to layoffs; and open discussions with workers’ representatives regarding the decision itself.

Union activism

The industrial relations context appears to provide an obvious explanation for the content of severance packages. This is supported by the literature on IR systems and downsizing, but also by some characteristics of the French regulations concerning union presence in firms and the way the downsizing process is framed by labour laws.

The characteristics of the French IR system challenge some of the classical categories established by the international Anglo-Saxon Industrial Relations literature (Laroche, 2015). In their typology of industrial relations, Kitay and Marchington (1996), in line with Callus *et al.* (1991), distinguish non-union, inactive union, and active union categories. In the French context, the non-union category appears irrelevant, since one or several unions are present in virtually all companies. First, unions do not have to demonstrate their representativeness (through internal election, for instance). Second, all firms employing more than 50 workers must accept the presence of union representatives and must organize a works council acting as a consultative committee for any issue concerning working conditions, employment and wages. For this reason, and because the QCA methodology requires the use of dichotomous variables, the employee-related condition we retained does not refer to a unionization criteria. Rather, the critical point is to determine whether or not union representation constitutes an active and influential force within the company.

French Labour Law organizes the way collective redundancies should be discussed with union representatives: the members of the works council are informed and consulted on restructuring projects, and the employer must explain the measures proposed to prevent layoffs (internal mobility, for example) and/or ease the professional transition of workers whose layoffs cannot be avoided (severance pay and outplacement services). As for any other issue, a substantial literature explores the union’s stance on worker-employer relations (Bacon *et al.*, 1996; Frost, 2000; Kelly, 1998; Lewin, 2005). At the most general level, these relations can be dichotomized as cooperative or adversarial (Lewin, 2005) and moderate or militant (Bacon *et al.*, 1996; Kelly, 1998). Regarding the French context and the 20 cases we scrutinized, we considered that the local union took an adversarial stance when it tried to resist workforce reduction, as compared to a strategy that aimed to improve the way in which redundancies were carried out.

The legal obligation is limited to information, and there is no obligation to negotiate with the aim of concluding an agreement. Therefore, collective action can be a way to create a balance of power that authorizes some kind of collective negotiation. Reflecting the general French context (Amossé *et al.*, 2008; Contu *et al.*, 2013), in many of our cases, the announcement of a restructuring plan provoked defensive opposition, conflict and collective resistance: grievance procedures, strikes and demonstrations, media coverage, and so on. It is difficult for unions to generate collective responses to redundancy events (Lévesque and Murray, 2010; Kelly, 1998), particularly when they are local (Stroud and Fairbrother, 2012). Restructuring practices often give rise to a process of de-collectivization of employment relations (Waddington and Kerr, 1999). Focusing on the ways unions operate and organize in redundancy contexts, Stroud and Fairbrother (2012) observe fragmented and uncoordinated union responses, where local unions are unable to build internal and external solidarity. We consider here that local unions mobilize when they are able to build internal and external solidarity in opposition to the redundancy plan (Lévesque and Murray, 2010). This ability to mobilize can then be observed in terms of the nature of the collective action carried out and by its impact.

In summary, we coded union activism “1”: a- when there was an active local union; b- when local union actions sought to resist workforce reduction; and c- when unions were able to mobilize internally and externally against the redundancy plan.

Lastly, this analysis of our cases combined with the review of the literature led to the identification of four conditions that we considered as accounting for above-mandatory indemnity. All of this is summed up in Table 2, which lists all the conditions and outcome variables retained for the QCA and specifies the way each variable was coded. For each variable, a sample case is mentioned, exemplifying the complex coding process required by the QCA method.

Results

Qualitative Comparative Analysis unfolds in a series of linear phases. Once the pre-QCA phase (selection of the relevant cases) has been completed, the method consists of transforming the cases into a constellation of binary variables (referred to in QCA language as “property space” or a “raw data table”); analyzing the distribution of cases across this space; identifying causal statements by applying a Boolean logic; simplifying the causal statements to achieve a parsimonious causal model that summarizes the complex phenomenon under study; and, lastly, discussing the results. In this section, we develop these steps.

TABLE 2
Variables table

	Code	Description	Examples of the coding process
OUTCOME			
Indemnity	IND	Organizations where the agreed-upon social compromise comprises an above-mandatory indemnity are coded "1", others are coded "0"	<p>IND0: 'Household' — In 2001, Household is in a situation of cessation of payments and is soon placed in compulsory liquidation. 3 plants are closed, affecting more than 3000 employees. The 'cause' of the layoffs is questioned, and it is only after years of contest before the industrial tribunal that employees got severance pay, but not as the result of the social negotiation process.</p> <p>IND1: 'Arms' — In this publicly held company, the restructuring process in 2006 comes after a series of former layoffs plans, in a both sensitive and strategic industry sector, the defense industry. The plan is particularly generous, both in terms of outplacement and in terms of indemnities, strongly supported by the Ministry of Defense and the Ministry of Finance. The indemnity reaches in average more than 2 years of one's wage.</p>
CONDITIONS			
Employability	EMP	Organizations where affected employees display a high level of employability are coded "1"; others are coded "0"	<p>EMP0: 'Pneumatics' — The case deals with a plant closure in a geographical area where the unemployment rate is high in North East of France. Besides, most of the affected employees have a low qualification (74% of the laid-off employees are blue collar workers) and a long seniority (more than 25 years in average).</p> <p>EMP1: 'Leisura' — In contrast, the restructuring process here affects employees and middle managers working in large cities where job opportunities do exist. Corporate HRM practices foster promotion from within and training, hence contributing to members' employability.</p>
Union activism	UNION_ACT	Organizations with union(s) actively seeking to prevent the redundancy plan and able to mobilize internally and externally are coded "1"; others are coded "0"	<p>UA0: 'Leisura' — In the 2000's, the industrial relations system at Leisura can be characterized by structurally weak social partners and a poor social dialogue, which contrasts with the historical image of the company and its founding fathers, two political Trotskyist activists. The company is divided in several, legally independent subsidiaries, an organization that contributes to the dispersion and heterogeneity of social relations. During the restructuring process, the collective mobilization remains low.</p>

TABLE 2
Variables table (suite)

CONDITIONS	Code	Description	Examples of the coding process
Financial resources	FIN_RESS	Organizations undergoing insolvency proceedings are coded "0"; others are coded "1"	<p>UA1: 'Textile' — Textile, a medium-size company in the North of France, is facing the same difficulties as the whole industry. Two of their main clients decide not to renew their license agreement, and a social plan is announced in 2001. Discussions between social partners at Textile then concentrate on the necessity of closing down the plant, urging top management to consider all other alternatives. The whole process will take over 18 months before the restructuring could begin.</p> <p>FR0: 'Shoes' — 'Shoes' is a French shoes manufacturing subsidiary of a Canadian group, situated in North East of France. In 2001, the company is in voluntary liquidation. The group agreed on a 5 million funding among the 20 that would be needed to continue the production activity in this plant.</p> <p>FR1: 'Phone' — 'Phone' belongs to a large group in the telecom industry. The restructuring process only affects a specific department of the company, and the plan benefits from financial resources of the group.</p>
Legitimacy	LEG	Organizations characterized by a low degree of legitimacy of the downsizing process (see coding procedure detailed in part 3.2) are coded "0"; others are coded "1"	<p>LEG0: 'Store' — 'Store' is an historical department store in Paris, founded at the end of the 19th century, which integrated a large group in the early 2000's, specialized in luxury goods. The closure of the store is brutally announced by the direction in 2005, for security reasons. A long period of confusion follows the announcement, with a high media-coverage, some reports outlining the financial problems the company was facing. None of the characteristics of a legitimate decision can be identified here.</p> <p>LEG1: 'Socks' — 'Socks' has been suffering from a poor financial situation for several years, in an industry sector (textile) which also faces strong problems, and within a group which had recently implemented other restructuring plans. The announcement of layoffs thus comes as a 'chronicle of a death foretold'. In addition to this criterion of distributive justice, the procedural and interactional justices are acceptable (the decision is much debated with representatives, and the information remains transparent during the operation).</p>

Elaboration of the property space

The property space is reported in Table 3. This table constitutes the most immediate output resulting from the coding process. It shows how all conditions and output variables were qualified for each of our 20 cases.

Analyzing the property space

Kogut and Ragin (2006) identify three distinct phases in the application of QCA to cross-case evidence: 1- selecting cases and constructing the property space that defines the types of cases (configurations); 2- testing the sufficiency of causal conditions; and 3- evaluating and interpreting the results. As noted by Greckhamer *et al.* (2008), the second phase, in which the property space is analyzed, may involve two types of analysis. The first is descriptive and involves examining the distribution of cases across the property space. The second involves investigating the causal conditions that are sufficient to attain the outcome of

TABLE 3
Property space

Cases	Employability	Legitimacy	Financial resources	Union activism	Indemnity
Phone	1	1	1	0	0
Glassy	1	1	1	0	0
Games	1	1	0	0	0
Leisura	1	0	1	0	0
Household	0	0	0	1	0
Shoes	0	0	0	1	0
Steelworka	0	0	0	0	0
Store	1	0	1	1	1
Textile	0	1	1	1	1
Arms	0	1	1	1	1
Socks	0	1	1	0	1
Plastics	0	1	1	0	1
Automotive	0	1	1	0	1
Pneumatics	0	0	1	1	1
Pharmacy	0	0	1	1	1
Pipeline	0	0	1	1	1
Pharmadrugs	0	0	1	1	1
Caravano	0	0	1	1	1
Heatho	0	0	1	0	1
Roadtransp	0	0	1	0	1

interest. In the following, the descriptive analysis is first undertaken by examining the property space resulting from the specification of the relevant attributes and case outcomes and from the related coding of the cases, as previously described. Next, implementing the Boolean algorithms that underlie QCA, we proceed by assessing whether any single causal attribute, or combination of attributes, appears sufficient to cause the investigated outcomes. Table 4 displays the distribution of observed configurations across the property space. The frequency column reports the number and percentage of cases in our sample associated with each observed configuration of causal attributes and outcome variable.

The data suggest that some specific configurations are more widely observed in our sample. This is especially true for the configurations involving the presence of the indemnity outcome variable. Thus, 12 out of 13 cases involving the presence of the indemnity outcome variable fall into four specific configurations. Among these, the most widely represented (in which the Financial resources and Union activism conditions are present, while the Legitimacy and Employability conditions are absent) is associated with five cases. Another configuration relates to three cases, in which only the Financial resources and Legitimacy conditions

TABLE 4
Distribution of observed configurations

Employability	Observed configurations				Indemnity	Frequencies		Cases
	Legitimacy	Financial resources	Union activism	Number of cases		%		
0	0	1	1	1	5	25%	Pneumatics Pharmacy Pipeline Pharmadrugs Caravano	
0	1	1	0	1	3	15%	Socks Plastics Automotive	
0	1	1	1	1	2	10%	Textile Arms	
0	0	1	0	1	2	10%	Heatho Roadtransp	
1	1	1	0	0	2	10%	Phone Glassy	
0	0	0	1	0	2	10%	Household Shoes	
1	0	1	1	1	1	5%	Store	
1	1	0	0	0	1	5%	Games	
1	0	1	0	0	1	5%	Leisura	
0	0	0	0	0	1	5%	Steelworka	

are present, while the Employability and Union activism conditions are absent. By contrast, there appears to be a greater variety of configurations involving the absence of the indemnity outcome variable. Among the seven observed configurations that do not involve an above-mandatory indemnity payment, three relate to only one case in our sample.

Some interesting insights can also be gained from the property space by considering the bi-variate association between each causal condition and the outcome of interest. First, the data in the property space show that no single causal condition appears to be sufficient in itself to induce the presence of the outcome of interest. Indeed, each of the four causal conditions can be observed in several configurations not related to an above-mandatory indemnity payment. On the other hand, one causal condition, that relating to the existence of financial resources, appears to be a necessary condition for inducing the presence of the outcome variable. In fact, this causal condition is present in every configuration involving an above-mandatory indemnity payment. In other words, while the financial resources condition is present in some configurations (corresponding to three cases, or 43% of the related subsample) not involving an above-mandatory indemnity payment, no configuration involving the payment of an above-mandatory indemnity can be observed in which the financial resources condition is absent.

Examining the sufficiency of causal conditions

In the previous section we pointed out that, in light of the property space, no single causal condition can be identified as being sufficient to attain the outcome variable. The next step is therefore to investigate whether some combinations of causal conditions may be identified as being sufficient to cause the outcome variable. As noted by Ragin (2000) and reported by Greckhamer *et al.* (2008), the “main recommendation for dealing with causal complexity is to focus on the sufficiency of combinations of causal conditions.” To this end, QCA uses Boolean logic to identify the minimal list of combinations of causal conditions that appear sufficient to cause the outcome of interest investigated. Below, we report the final expression of sufficient causal conditions resulting from the Boolean minimization procedure carried out using fs/QCA software. The symbol ~ indicates the absence of the causal condition. In compliance with the Boolean notation algebra, multiplications (*) imply the logical AND while additions (+) imply the logical OR.

$$\text{IND} = (\sim\text{EMPL} * \text{FIN_RESS}) + (\sim\text{LEG} * \text{FIN_RESS} * \text{UNION_ACT})$$

The final expression resulting from the Boolean minimization procedure is thus composed of two prime implicants (that is, two combinations of causal conditions sufficient to cause the dependent variable). These two prime implicants

represent two distinct paths leading to the payment of an above-mandatory indemnity. The first corresponds to downsizing operations characterized by the low employability of laid-off workers and the presence of financial resources. The second corresponds to organizational contexts simultaneously characterized by a low level of legitimacy of the downsizing process, the presence of significant financial resources, and a high level of union activism.

As the financial resources condition plays a part in the two prime implicants, the final expression is consistent with our earlier observation that the financial resources condition is necessary to induce the investigated outcome. However, we also pointed out that financial resources do not, in themselves, constitute a sufficient condition. The minimal formula thus sheds light on the other causal conditions with which the financial resources condition must interact in order to cause the payment of an above-mandatory indemnity. It shows that, in order to cause the outcome of interest, the financial resources condition must be associated either with a high level of union activism and a low level of legitimacy in the downsizing process, or with the low employability of laid-off workers. This latter result is quite interesting as it shows that when financial resources are present, the union activism condition is not necessary for the payment of an above-mandatory indemnity. Indeed, a low level of employability appears to be a sufficient condition for the payment of an above-mandatory indemnity in contexts characterized by the existence of sizeable financial resources, whether or not the union activism condition is present.

Table 5 illustrates the key role of the employability variable in organizational contexts characterized by a low degree of union activism. In this table, we single out in bold every case in which the financial resource condition is present while the union activism condition is absent. This way of presenting the data brings out the fact that, within this specific sub-sample, an above-mandatory payment is made each time the employability condition is absent and, conversely, no such payment is granted each time the employability condition is present.

Discussion and conclusion

When restructuring is accompanied by redundancy plans, labour laws and other public policies in France explicitly encourage outplacement services and any other social support that could ease workers' return to employment. Our research addresses the reasons why—and the social processes through which—employers, workers, and their representatives may agree on severance pay and above-mandatory indemnities. The question is justified by the implicit assumption underlying French collective dismissal regulation that severance pay is counter-productive, as it may make job cuts more desirable than job saving alternatives

TABLE 5

Downsizing contexts with financial resources but without union activism

Cases	Employability	Legitimacy	Financial resources	Union activism	Indemnity
Phone	1	1	1	0	0
Glassy	1	1	1	0	0
Games	1	1	0	0	0
Leisura	1	0	1	0	0
Household	0	0	0	1	0
Shoes	0	0	0	1	0
Steelworka	0	0	0	0	0
Store	1	0	1	1	1
Textile	0	1	1	1	1
Arms	0	1	1	1	1
Socks	0	1	1	0	1
Plastics	0	1	1	0	1
Automotive	0	1	1	0	1
Pneumatics	0	0	1	1	1
Pharmacy	0	0	1	1	1
Pipeline	0	0	1	1	1
Pharmadrugs	0	0	1	1	1
Caravano	0	0	1	1	1
Heatho	0	0	1	0	1
Roadtransp	0	0	1	0	1

and slacken the economic constraints of unemployed workers, postponing their job-seeking efforts.

On the basis of 20 case studies and using the QCA method developed by Ragin (1987), our results indicate that industrial partners opt for indemnities when several conditions are combined. First, some financial resources must be available: unsurprisingly, we show that indemnity cannot be distributed if employers have none to spare. Beyond this trivial statement, we also suggest that financial leeway creates the conditions for a power struggle to be weighted in favour of workers when layoffs must be negotiated. Under the condition of financial leeway, bargaining strategies can be shaped in a confrontational and distributive way. In addition, financial leeway undermines some of the arguments firms may bring to justify layoffs, which can result in increased social and legal risks.

However, although necessary, this condition is not sufficient to explain the adoption of indemnity: workers will claim indemnity (and obtain it) if they perceive

damage caused by the employer. Our results indicate that this damage can be economic—when workers' employability is low, the likelihood of a loss of income is higher. Damage can also be moral—when layoffs are perceived as illegitimate, workers may claim compensation for the betrayal and/or employers may opt for generous treatment of laid-off workers in order to stabilize the survivors' reactions (Amundson *et al.*, 2004; Brockner *et al.*, 1995; Brockner, 1992).

Another intriguing feature of our research is the role played by unions in indemnity distribution. We point out that unions are not necessary for indemnity to be awarded as compensation for deterred employability. Conversely, union activism is necessary when damage arises from the illegitimacy of the downsizing process. We would argue that illegitimacy is a value judgment and a social construct. As noted by many employers, managers tend to think that harsh decisions such as downsizing are morally defensible. If they did not, they would likely refrain from making them. On the other hand, it may be difficult for isolated workers to make an enlightened statement about the ineluctability of a layoff. For these reasons, the role of unions is necessary when it comes to constructing legitimacy or illegitimacy. Thus, our results underline the social construct of damage and emphasize the role of unions in framing demands and deciding on the agenda for collective action (Lévesque and Murray, 2010). In line with Frost (2000), we could consider the ability to access information as one of the resources needed by unions to engage with management over workplace restructuring. It is a condition under which local unions can be involved in the restructuring process and, consequently, mobilize their members to respond proactively. This capacity to provide situational awareness might be partly linked to the attitude of management (for example, transparency vs. denial, or lies about the restructuring process), but also to local union resources, such as internal and external networks and the ability of union representatives to engage early in the restructuring process (Frost, 2001).

Conversely, when damage is economic and connected with job-seeking issues, such as when workers' employability is degraded, union presence is not necessary to explain indemnity. First, we may argue that workers need no mediation or information-framing to understand that they will face economic problems after losing their job. In some cases, workers spontaneously organized in order to claim indemnity, thus bypassing their union representatives in this aspect of the bargaining process.

Second, the fact that union presence is not a necessary condition to connect low employability with indemnity can be explained by the fact that employers may also spontaneously decide to provide indemnity because they may perceive it as a moral obligation (Cascio, 2002; Van Buren, 1999), or as a tactic to soothe the torment of the downsizing operation. Indemnity may be spontaneously

offered to the victims of downsizing in order to manage the survivors' reactions (Brockner *et al.*, 1993; Cameron, 1994; Cascio, 2002; Feldman and Leana, 1994). Spontaneous indemnification may also be provided because, in France, employers are accountable for employability. As a result, employers may opt proactively for indemnity in order to lower the risk of prosecution.

Our research suffers from several limitations. First, the context of our empirical study is restricted and specific: the French institutional and legal framework in which our cases are embedded is characterized by a high degree of formalization and quite a distributive way of bargaining over restructuring processes. In addition, our sample consists of only 20 cases, 8 of which come from secondary sources. Although the QCA method is well-suited to this kind of medium-sized sample, one could retort that such a sample cannot be representative of all the restructuring processes that have been performed in France over the period of a decade or so. Also, a more fine-grained analysis of our cases highlights that most refer to declining industrial contexts, and only a few refer to social plans in service industries. Our sample of French cases could be complemented by restructuring cases from other countries and other national industrial relations systems, in a comparative analysis. Second, we chose to use Crisp-Set QCA with a set of dichotomous variables (conditions and outcomes). Some methodological refinements could be worth applying to our data in future research, especially Fuzzy-Set QCA Fs and/or Temporal QCA (Caren and Panofsky, 2005; Ragin, 2008): FsQCA could be used to go beyond the oversimplified notion of above-mandatory severance packages, calibrating several levels of severance packages; TQCA could allow us to consider the sequential dimension of events that contribute to high levels of indemnity. Third, while our initial question—and our associated argument—is based on both the poor efficiency of outplacement services and the increasing rate of claims for indemnity, we only tested indemnity as an outcome of our analysis. We would suggest testing the quality of outplacement devices as well, especially using FsQCA to take into account different levels of outplacement services.

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SUMMARY

Understanding the Pathways to Above-Mandatory Severance Pay when Downsizing: A Qualitative Comparative Analysis of 20 cases in France

When it comes to negotiating over a collective dismissals plan, the French national legal framework explicitly encourages social partners to favour outplacement services over significant indemnity payments. However, significant above-mandatory redundancy payments are commonly granted to laid-off workers. Based on these factual observations, this article aims to identify the antecedent conditions, or, more precisely, the combinations of conditions, that lead to the granting of a large severance pay. We conducted a qualitative comparative analysis (Crisp set QCA) methodology applied to 20 monographs on downsizing operations that took place in France during the 2000s. The results show that above-mandatory severance payments are closely related to two major dimensions characterizing the economic and social context in which restructuring processes are carried out. The first one is about the balance of power prevailing between the company decisionmakers and the employees. This balance of power dimension is subsumed by two distinct conditions: the availability of financial resources and the presence of active unions. The second dimension relates to the moral and economic damages inflicted upon laid-off workers. This dimension is intrinsically connected to two downsizing process features, i.e. the perceived degree of legitimacy associated with the downsizing process and the degree of employability associated with the laid-off workers. Most notably, it appears that none of the identified conditions is sufficient by itself to induce the payment of a significant above-mandatory indemnity. However, some causal conditions may induce the outcome variable when they are combined with some specific other antecedent conditions. Thus, our research shows that the financial resource condition leads to the granting of an above-mandatory indemnity either in conjunction with a low degree of worker's employability or in conjunction with both a weak perceived legitimacy of the restructuring process and the presence of active unions.

KEYWORDS: downsizing, restructuring, employment, severance pay, industrial relations, qualitative comparative analysis (QCA).

RÉSUMÉ

Comprendre les conditions d'octroi d'indemnités supra-légales lors de réductions de personnel : une analyse qualitative comparative de 20 cas en France

Les dispositifs légaux français qui encadrent les suppressions d'emplois incitent explicitement les partenaires sociaux à négocier des accords mettant l'accent sur le reclassement des salariés licenciés plutôt que sur l'indemnisation financière. Pour-

tant, l'octroi d'indemnités supra-légales semble bien inscrit dans les pratiques des entreprises françaises. Cet article tente d'identifier les conditions ou, plus précisément, les combinaisons de conditions qui conduisent à l'octroi d'indemnités supra-légales. Pour cela, nous avons mené une analyse qualitative comparée (Crisp set QCA) de 20 cas de restructurations ayant eu lieu en France au cours de la décennie 2000. Les résultats montrent que les indemnités de licenciement sont conditionnées par deux dimensions principales du contexte économique et social dans lequel se déroulent les suppressions d'emplois. D'une part, l'instauration d'un rapport de force favorable aux salariés est nécessaire. Celui-ci dépend soit de la disponibilité de ressources financières, soit de la présence de syndicats actifs. D'autre part, il est nécessaire qu'il y ait un préjudice moral ou économique infligé aux salariés licenciés. Le préjudice moral est lié à la légitimité de la décision de suppression d'emploi. Le préjudice économique s'avère lié à l'employabilité des salariés concernés. Nous montrons plus précisément qu'aucune de ces conditions n'est suffisante pour expliquer à elle seule les indemnités supra-légales, mais qu'il faut s'attacher à l'identification de combinaisons de conditions. Il en ressort que la disponibilité de ressources financières est une condition nécessaire au versement d'indemnités supra-légales, mais qu'elle doit être combinée soit avec une faible employabilité des salariés soit avec une combinaison associant une faible légitimité de l'opération ainsi que la présence de syndicats actifs et organisés.

MOTS-CLÉS : suppressions d'emplois, restructurations, licenciements, indemnités, relations sociales, analyse qualitative comparative (AQC-QCA en anglais).

RESUMEN

Comprender las condiciones de otorgamiento de indemnizaciones superiores al monto legal en situación de reducción de personal: un análisis cualitativo comparativo de veinte casos en Francia

En situación de negociación de un plan colectivo de despidos, el marco legal en Francia incita explícitamente las partes a favorecer los servicios de recolocación en lugar de los pagos significativos de indemnización. Sin embargo, es muy común de otorgar indemnizaciones superiores al monto legal a los trabajadores despedidos. Basado en estas observaciones factuales, este artículo trata de identificar las condiciones precedentes o, más precisamente, las combinaciones de condiciones que llevan al otorgamiento de un monto mayor de indemnización. Se realizó un análisis cualitativo comparativo aplicando la metodología (Crisp set QCA) a 20 monografías sobre las operaciones de reducción de personal llevadas a cabo durante la década 2000. Los resultados muestran que el pago de indemnizaciones superiores al monto legal está estrechamente vinculado a dos dimensiones características del contexto económico y social en el que se llevan a cabo los procesos de restructuración. La primera se refiere a la correlación de fuerzas predominante

entre los decisores de la compañía y los empleados. Dicha correlación de fuerzas depende, de un lado, de la disponibilidad de recursos financieros y del otro, de la presencia activa de sindicatos. La segunda dimensión incumbe los daños y perjuicios morales y económicos infligidos a los trabajadores despedidos. Esta dimensión está intrínsecamente vinculada a dos características del proceso de reducción de personal: (1) la percepción de legitimidad del proceso de reducción de personal y (2) el nivel de empleabilidad de los trabajadores despedidos. El análisis hace resaltar que ninguna de las condiciones identificadas es suficiente en sí misma para explicar el pago de indemnizaciones significativamente superiores al monto legal. Pero ciertas condiciones causales pueden inducir el resultado si son combinadas con otras condiciones específicas precedentes. Así, los resultados de nuestra investigación muestran que la disponibilidad de los recursos financieros lleva a otorgar indemnizaciones superiores al monto legal, solamente si otra condición es también presente: sea un nivel bajo de empleabilidad de los trabajadores, sea un nivel bajo de legitimidad percibida del proceso de reestructuración combinado a la presencia activa de sindicatos.

PALABRAS CLAVES: reducción de personal, reestructuración, empleo, indemnización de despido, relaciones industriales, análisis cualitativo comparativo (QCA).