

Chapter 5. Setting the rules

When adaptation takes the form of company restructuring, it has wide-ranging social and economic consequences that may justify public intervention. In order to avoid one-off measures and increase transparency and predictability, public intervention is regulated increasingly by a body of rules adopted at national level. However, there is also a clear Community dimension to restructuring, since these economic and social consequences often extend beyond national borders, and certain fundamental principles laid down by the Treaty need to be respected when such rules are devised. In particular, the rules adopted by the European Union include statutory procedures to ensure that the parties concerned are involved at various stages of the restructuring process and to protect the workers and companies affected.

The first directives relating directly to restructuring were enacted in the 1970s following the first oil shock. Their aim was to ensure the protection of workers in all Member States in the event of collective redundancies, transfers of undertakings and employer insolvency. They also laid down the first Community rules on the involvement of workers' representatives in the restructuring process. These directives played a key role in developing a more anticipatory and protective approach to the social consequences of restructuring in several Member States' national legal frameworks. Other directives followed with the aim of ensuring worker involvement on a more regular basis (to allow for better anticipation of change) and at transnational level (to reflect the increasingly transnational dimension of restructuring).

Social dialogue is also crucially important in anticipating and managing change and restructuring, especially at company level. Social dialogue agreements, the normal outcome of social dialogue, are useful tools that allow the actors to tailor general rules to the particular circumstances of each business and region. As a result of the Europe-wide and global dimension of today's economic and social processes, social dialogue at European and transnational level has increased in importance, as the growing numbers and role of European works councils and the agreements concluded at transnational company level show.

This Chapter starts with a section presenting and discussing the effectiveness of the EU directives relating to the anticipation and management of change and restructuring. Section 2 presents the main initiatives of the European social partners in the framework of European social dialogue. Section 3 outlines some important innovations in transnational agreements.

1 – Community labour law and restructuring

The aim of labour law directives relating to corporate restructuring is to ensure the protection of workers' rights and provide for the involvement of workers' representatives in the restructuring process. They play a crucial role in promoting an approach that anticipates change and encourages cooperation in responding to it.

Like all directives, they are binding on the Member States as regards the objective to be achieved, although the latter are free to determine how and by what means they intend fulfilling their Community obligations within their own legal systems. In addition, national

legislation and practice may provide for a higher degree of worker protection than the directives in the area concerned.

The protection of workers' rights is ensured in the event that the employer becomes insolvent or changes:

- The Directive on *employer insolvency*⁸⁹ aims to provide minimum protection for employees in the event of the insolvency of their employer. It obliges Member States to establish a body (guarantee institution) which guarantees the payment of employees' outstanding claims. Moreover, Member States must take the necessary measures to ensure that non-payment of compulsory contributions due from the employer, before the onset of his insolvency, will not adversely affect employees' benefit entitlements in as much as the employees' contributions were deducted at the source from their remuneration
- The Directive relating to the safeguarding of employees' rights in the event of *transfers of undertakings*, businesses or parts of businesses⁹⁰ provides that rights and obligations that arise from a contract of employment or an employment relationship that exists on the date of a transfer, must be transferred from the transferor (the one ceasing to be the employer) to the transferee (the 'new' employer, in short). The directive further provides that the transfer shall not constitute grounds for dismissal either by the transferor or the transferee.

Special procedures are established in the event of collective redundancies or transfers of undertakings:

- The Directive relating to *collective redundancies*⁹¹ provides that employers who envisage collective redundancies must provide workers' representatives with specified information concerning the proposed redundancies and must consult with the workers' representatives in good time with a view to reaching an agreement. These consultations should cover ways of avoiding or of reducing the redundancies and of mitigating their consequences by recourse to social accompanying measures aimed at, in particular, aid for redeployment and retraining of the redundant workers. The directive provides also for a notification of the public authorities of any projected collective redundancy and requires that these collective redundancies take effect no earlier than 30 days after that notification.
- In addition to the protection of workers' rights, the Directive relating to the safeguarding of employees' rights in the event of *transfers of undertakings*, businesses or parts of businesses⁹² provides that both the transferor and transferee must provide specified information to the representatives of employees affected by the proposed transfer and if either party envisages measures in relation to the employees, their representatives must be consulted with a view to reaching agreement.

Moreover, a set of directives provide for the information and consultation of the workers on a regular basis, at both national and transnational levels:

⁸⁹ Directive 2002/74/EC amending Council Directive 80/987/EEC, OJ L 270 of 08.10., p.10-13

⁹⁰ Consolidated by Council Directive 2001/23/EC of 12.3.2001, OJ L 82 of 23.3.2001, p. 16.

⁹¹ Consolidated by Council Directive 98/59/EC of 20.07.1998, OJ L 225 of 12.8.1998, p. 16.

⁹² Consolidated by Council Directive 2001/23/EC of 12.3.2001, OJ L 82 of 23.3.2001, p. 16.

- The Directive establishing a *general framework for informing and consulting employees* in the European Community⁹³ seeks to strengthen dialogue within enterprises and ensure employee involvement upstream of decision-making with a view to better anticipation of problems and the prevention of crises. It applies to companies with at least 50 employees or establishments with at least 20, and provides that employee representatives be informed and consulted on developments in the undertaking's economic situation, development of employment and decisions likely to lead to changes in work organisation or contractual relations;
- The Directive providing for the establishment of a *European works council* or a procedure for informing and consulting employees in Community-scale undertakings and groups⁹⁴ applies to companies or groups with at least 1000 employees and at least 150 employees in each of two Member States. It allows for the establishment of a European works council which is representative of employees in the Member States where the group has operations, to be informed and consulted on the progress of the business and any significant changes envisaged;
- Three directives provide for the *involvement of employees* (i.e. information, consultation and participation in the supervisory board or board of directors) in companies adopting the European Company Statute⁹⁵, the European Cooperative Society Statute⁹⁶ or deriving from a cross-border merger⁹⁷.

Improving the effectiveness of legislation and adaptation

For all directives, it is up to the competent national authorities, notably courts, to ensure the correct and effective application of the national transposing rules in view of the circumstances specific to each situation and to ensure the fulfilment of any company's duties in this regard. The Commission checks that the directives are properly implemented by Member States.

Through Directive 2002/14/EC establishing a general framework for informing and consulting employees, which was due for implementation by March 2005, there has been significant progress in certain Member States at the national level of the anticipation of change in companies⁹⁸.

The main area of concern in recent years related to the effectiveness of the transnational level of information and consultation in case of restructuring operations with a wider scope. After 12 years of activity, the positive impact of the European Works Councils (EWCs) established by Directive 94/45/EC on the anticipation and responsible management of change is generally recognised. However, expectations have grown and are far from being satisfied. All too often, their potential remains unexploited, particularly in the event of transnational restructuring.

⁹³ Directive 2002/14/EC of the European Parliament and the Council of 11.3.2002, OJ L80 of 23.3.2002, p. 29

⁹⁴ Council Directive 94/45/EC of 22.9.1994, OJ L 254 of 30.9.1994, p.64.

⁹⁵ Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees, OJ L294 of 10.11.2001 p.22.

⁹⁶ Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees, OJ L207 of 18.08.2003 p.25

⁹⁷ Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies, OJ L310 of 25.11.2005 p.1.

⁹⁸ See Communication of the Commission on the review of the application of Directive 2002/14/EC in the EU, COM(2008)146 of 17.3.2008 and accompanying Commission staff working document SEC(2008)334.

The survey carried out in 2005 by Professor J. Waddington (University of Manchester⁹⁹) analysing the answers of 473 employee representatives in EWCs found that over 80% of the respondents indicated that management had restructured the company to some degree in the three years prior the survey. However, where applicable, the EWC was consulted over the restructuring:

- Before the decision was finalised in 20% of the cases;
- Before the decision was made public in 30% of the cases;
- After the decision was made public in 20% of the cases;
- Not at all in 30% of the cases.

This failure to properly consult the EWC in over half of the cases is also noted in the public debates (press, parliamentary questions, speeches, etc) that accompany every major new restructuring case over respect for information and consultation rights. The case studies analysed by the European Foundation¹⁰⁰ showed that the majority of the EWCs were informed after the event that business decisions were being taken, leaving little scope for consultation.

EWCs must be in a position to play their full part with regard to developments in undertakings, anticipating and accompanying change, and fostering genuine transnational social dialogue in a rapidly changing economic and social context. Sustainable competitiveness for large transnational undertakings and the related small and medium-sized businesses depends on this. These problems led the Commission to consult the social partners on the review of the Directive establishing the EWCs in 2004. Through its Communication COM(2005)120 *Restructuring and employment*, the Commission also consulted the European social partners simultaneously on the restructuring of undertakings and on the ‘best-practice’ aspect of EWCs, encouraging them to negotiate with a view to reaching agreement on the promotion of best practice. Social partners decided, in March 2006, to include the promotion and evaluation of their *Lessons learned on European works councils* in their 2006-08 work programme.

On 20 February 2008, the Commission adopted Document C(2008)660 launching the second stage consultation of the social partners in accordance with Article 138(3) of the Treaty on the content of a possible Community initiative to revise the 94/45/EC Directive and inviting them to negotiate. The responses of the organisations consulted and the contributions received were examined in detail and taken account of in the impact assessment process¹⁰¹. The examination carried out has led the Commission to modify certain proposals envisaged in the consultation document, for example in relation to the provisions aimed at effective decision-making in undertakings or reinforcing the select committee.

In the framework of the renewed Social Agenda, the Commission has proposed recasting the Directive¹⁰². The Commission’s proposal is being submitted to the European Parliament and the Council, which will discuss it and can decide to adopt the provisions it contains by the

⁹⁹ Waddington, J (University of Manchester), results of a 2005 survey of 473 employee representatives presented in ‘The performance of EWCs 12 years after the Directive’, *European Works Councils Bulletin*. No 65, IRS, London, September/October 2006, pp.7-11.

¹⁰⁰ European Foundation of the Improvement of the Living and Working Conditions, Analysis of agreements and studies on evolution of European works councils, Dublin, regular update
<http://www.eurofound.europa.eu/areas/participationatwork/ewc.htm>.

¹⁰¹ Commission staff working document - Impact assessment SEC(2008)2166 of 2 July 2008

¹⁰² COM(2008) 419.

codecision procedure. Once adopted, these provisions must be transposed into the law of the Member States before they can become generally applicable, a process which takes two years. The Commission hopes that this process will take place as quickly as possible.

In addition to promoting best practice¹⁰³, the Community initiative had the following objectives:

- To ensure the effectiveness of employees' transnational information and consultation rights in existing EWCs;
- To increase the take-up rate (the proportion of established EWCs compared to the number of companies falling within the scope of the Directive);
- To ensure legal certainty in the setting up and operation of EWCs;
- To ensure a better coherence and interplay between Community legislative instruments on information and consultation of employees.

2 – European social dialogue and restructuring

As we now know, if properly implemented social dialogue (see box below) is probably one of the most powerful instruments for successful anticipation and management of change. The representatives of management and labour have a responsibility at company, sector, national and European level and the Commission has already consulted the European social partners twice on appropriate ways to tackle the challenge of restructuring.

Social dialogue

Social dialogue encompasses both collective bargaining and consultation of management and labour. It can be organised as an autonomous, bipartite and self-governed process between workers and managers, and their representative organisations. But it can also take place in a tripartite setting with the participation of officials or agencies representing the government or the public realm. Information exchange through social dialogue can be combined with and prepare the ground for joint problem-solving, collective bargaining or unilateral decision-making.

European social dialogue

European social dialogue is one of the instruments of governance in the employment and social area in the European Union. It refers to the discussions, consultations, negotiations and joint actions undertaken by the social partner organisations representing the two sides of industry (management and labour) at European level. It is a useful means by which the social partners assist in the definition of European employment and social standards, and play an important role in the governance of the Union.

Article 138 of the Treaty gives the Commission the role to promote social dialogue, gives recognition to social dialogue at European level and obliges the Commission to consult the European social partners in two phases before submitting proposals in the employment and social policy field. The autonomous bi-partite dialogue takes place in social dialogue committees. Article 139 offers the possibility to negotiate agreements that can be implemented either in accordance with the procedures and practices specific to management and labour and the Member States, or by Council decision for areas covered in Article 137.

In January 2002, the Commission launched a first consultation of the social partners, under Article 138 (2) of the EC Treaty, entitled 'Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring'. The consultation document identified four main areas for consideration:

¹⁰³ Especially through budget line 04.03.03.03, providing support for measures to promote best practice in the field of information, consultation and participation of representatives of undertakings, to which the sum of €8.1 million has been allocated for 2008.

- Measures to promote employability, adaptability and restructuring on the basis of ‘lowest social cost’;
- The effectiveness of regulatory approaches, including identifying obstacles to restructuring in a socially positive way;
- Responsibility for the impact on regions and value networks (subcontractors, etc);
- The ‘modalities of implementation’, including the involvement of employees, fair compensation where job losses cannot be avoided, whether EU-level dispute-resolution machinery would be useful and good practices within small and medium-sized enterprises.

The second phase of consultation of the European social partners was launched in March 2005, together with the Communication on restructuring and employment (COM(2005)120). In addition to the part dedicated to EWCs, it called on social partners to become more involved in the ways and means of anticipating and managing change. In particular, it encouraged social partners to ‘intensify ongoing work and to start negotiations with a view to reaching an agreement among themselves on the requisite ways and means for:

- Implementing mechanisms for applying and monitoring existing guidelines on restructuring, and a discussion on the way forward;
- Encouraging adoption of the best practices set out in the existing guidelines on restructuring (see 1.);
- Devising a common approach to the other points in the Communication which are of concern to them, more especially training, mobility, the sectoral dimension and the anticipatory aspect.’

The European social partners have been addressing issues of restructuring at the cross-industry level as well as in the sectoral social dialogues, mainly by identification of best practices and development of tools to assist their members in anticipating and managing change in various ways.

The European social partners addressed the issue of restructuring in various ways:

- Conducting studies, conferences and training events, jointly identifying and disseminating best practices and agreeing on policy orientations addressed to the national affiliates.
- Developing tools for efficient and socially responsible restructuring.
- Identifying future skills needs and encouraging suitable training policies of public bodies and social partners.
- Studying and influencing policies that determine the development of the sector.

In many instances, the social partners have paid particular attention to accompanying the accession process of the new Members States.

Information sources on European social dialogue:

www.ec.europa.eu/socialdialogue

- Database of joint texts adopted by the European social partners

http://ec.europa.eu/employment_social/dsw/dspMain.do?lang=en

- Sectoral social dialogue committees and links to the European social partners' websites

http://ec.europa.eu/employment_social/social_dialogue/sectoral_en.htm

- Proceedings of the cross-industry and sectoral social dialogue committees

http://circa.europa.eu/Public/irc/empl/sectoral_social_dialogue/library?l=/&vm=detailed&sb=Title

2.1. European cross-industry social dialogue

a. The social partners’ orientations

Within the context of European social dialogue, the cross-industry social partners (BUSINESSEUROPE¹⁰⁴, UEAPME¹⁰⁵, CEEP¹⁰⁶ and ETUC¹⁰⁷) responded to the first Commission consultation by elaborating joint ‘Orientations for reference in managing change and its social consequences’, officially presented to the Commission in October 2003. This text is based on the findings of three joint seminars at which ten cases of companies and regions faced with restructuring across Europe were presented¹⁰⁸. It contains a thorough analysis of the phenomenon and identifies the key factors for successful management of restructuring. It does not prescribe any measures for implementation or follow-up and relies on dissemination to all actors.

Orientations for reference in managing change and its social consequences

- ***Explaining and giving the reasons for change***

It is essential to explain and give the reasons for change in good time to workers and/or their representatives in the company concerned by setting out the company’s overall strategy. An open discussion on the intentions of the management, in some cases based on documents explaining the reasons for the decisions and their possible consequences, allows workers and/or their representatives to make their views known. An understanding of this strategy is essential to create a positive climate for discussion and a climate of confidence. Involvement of managers is also a factor for success.

The obligations arising from the legislative and contractual framework on worker information and consultation as well as on confidentiality must be met. Good information and consultation (...) throughout the process of change may involve a different relevant level depending on the time and subject under consideration. Existing European bodies are the appropriate level when changes concern the strategy of a group and affect sites in several EU countries. (...)

- ***Developing employability***

All the case studies underlined the importance of maintaining and developing workers’ competences and qualifications in order to foster internal and external mobility and ensure the success of the business. It also emerged that it is essential to act early in order to prepare the evolution of jobs and competences and, if possible, anticipate them. The development of its workers’ competences is crucial for the success of the enterprise and the worker’s own competences development is crucial for the management of his/her working life. This approach is the one recommended in the framework of actions for lifelong development of competences and qualifications adopted by the European social partners in February 2002.

- ***Territorial dimension***

When economic and social changes have serious repercussions for an entire region or territory, complementarity and synergies between the actions of the various actors (employers, trade unions and territorial public authorities) assumes particular importance. The importance of this partnership to foster new job-creating economic activities, manage reassignments and improve the operation of the local labour market was highlighted in the experience of regions changing economic activity but also of some companies. In this context the social partners recall the importance of the role played by EU structural funds and territorial infrastructures to maintain social cohesion, ensure redevelopment initiatives and economic development.

- ***Specific situation of SMEs***

Creation and development of SMEs as an indispensable component of a dynamic and adaptable economic and social fabric as well as the particular situation of those SMEs which are dependent on one large customer or in regions dominated by a single activity constitute the backdrop to this debate.

¹⁰⁴ At that time called UNICE.

¹⁰⁵ European Association of Craft, Small and Medium-Sized Enterprises.

¹⁰⁶ European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest.

¹⁰⁷ European Trade Union Confederation.

¹⁰⁸ The 10 case studies analyse the situation of seven large companies (Norsk Hydro, Danone, Marzotto, Deutsche Telekom, Barclays Bank, Siemens and Metso) and two SMEs (Auwera and Abeil) as well as the revitalisation of the region of Asturia in Spain. For a summary of findings, see European Commission: Industrial Relations in Europe 2004 report, p. 146f.

Regarding SMEs in a restructuring situation themselves, overcoming the difficulties requires even more than in large companies, strong creativity and strong motivation on the part of the various players. The financial risk taken by the owner-manager is particularly important and cannot be taken without a supportive environment. The cases studied underlined that the willingness of workers and/or their representatives to take part in the firm's collective efforts from the outset is a precondition for convincing customers and financial institutions of the project's viability.

• **Managing restructuring**

The social consequences are managed locally. In case of 'social plans', the negotiation takes account of factors such as the company's constraints, the tax regime, national legislation, collective agreements and the needs and choices of workers. All the case studies stressed a concern to explore all possible alternatives to dismissals such as for example:

- *Reassignment,*
- *Training,*
- *Reconversion,*
- *Support for business creation,*
- *An agreement to diversify forms of work and employment and/or suspend or adapt some benefits on a temporary basis,*
- *Personalised worker support,*
- *Natural departures, notably through retirement or, as a last resort, early retirement.*

Management of the social consequences of a restructuring operation is a complex process. Several levels of information, consultation or negotiation and several types of workers' representation may co-exist in the companies and countries concerned.

For good management of restructuring, time is an important factor, for management and workers alike. The difficulty is in organising quality information and consultation without creating undue delays and uncertainties. A positive attitude to change together with the existence of a climate of confidence between management and workers and/or their representatives are key factors. Beyond formal procedures, informal relations play an important complementary role on the search for solutions which meet the needs of the enterprise and workers.

Given that ongoing change is a characteristic of the lives of companies and workers, some of the case studies revealed that the policies implemented during a restructuring operation were based on lessons learnt from an earlier experience. In this context, it has proved useful to put in place monitoring mechanisms to evaluate the effects and check the efficiency of the solutions identified in the medium and long term.'

The European social partners agree that adaptation to change is a constant phenomenon and that most of this adaptation does not entail net job losses. However, more far-reaching restructuring may sometimes be necessary. The existence of a good social dialogue in a climate of confidence and a positive attitude to change are important factors to prevent or limit its negative consequences.

b. Studies on restructuring in the Member States

In autumn 2004, the cross-industry social partners launched a joint project to analyse the economic and social change under way in the new Member States and the role that social partners play in dealing with its social consequences. Country dossiers were drafted by independent experts and include one good practice case of restructuring in each country. These national studies were discussed at seminars with national social partners in each new Member State. A synthesis report was drawn up on the basis of the country dossiers and discussed during a two-day conference in June 2006.

The synthesis report found that social partners had found it generally 'difficult at any level to discuss in constructive terms, either amongst themselves or with Government, important changes that were inevitable in the relatively short term.' Anticipation and strategic matters were rare at sectoral and national level. Company level social dialogue was 'commonly limited

in duration and restricted to the financial considerations surrounding compensation for job losses.’ A number of reasons were identified:

- First, the extraordinary extent of privatisation;
- Second, the lateness of information and consultation;
- Third, the standards of social dialogue of multinational companies that were lower than in their home countries;
- Fourth, the focus on financial compensation to the detriment of training, reconversion, support for business creation, or personalised worker support;
- Fifth, the capacity of social partners and the social dialogue had been too weak to predict and handle change beyond reactivity.

The report and the social partners’ discussions confirmed the pertinence of the orientations for reference for an improved management of restructuring.

In their joint work programme for 2006-08 the cross-industry social partners agreed to ‘complete the national studies on economic and social change in the EU-10, enlarge them to cover the EU-15 and on that basis promote and assess the ‘orientations for reference on managing change and its social consequences’’. At the time of writing, seminars have been held in the Netherlands, Greece, Italy, France, Austria, Denmark, Spain, UK and Sweden. There are plans to cover the remaining EU Member States as well.

The importance of a joint approach by the social partners for the anticipation and management of change should be underlined. In view of the social partners’ intention to promote and evaluate the guidelines for reference in managing change and its social consequences in their 2006-08 working programme, the Commission Staff Working Document ‘Restructuring and employment – the contribution of the European Union’¹⁰⁹ mentions that the Tripartite Social Summit for Growth and Employment to be held in March 2009 could be the right time to present a first assessment of their work in this field. On the basis of that contribution, thought could be given to the advisability of presenting new initiatives to promote principles shared at European level.

2.2 European sectoral social dialogue

Social dialogue at sectoral level can develop tailored responses to challenges that might be characteristic of a specific sector. That was why the above mentioned second-phase consultation on restructuring invited sectoral social dialogue committees to get more involved in adaptation to change issues, to develop ways of anticipating structural change and to ensure a monitoring and early warning function at regional and sector level. Several European sectoral social dialogue committees addressed the issue. By way of example, some of them are described below.

a. Sugar: Best practices and access to funding

In addition to the general challenges of globalisation, the sugar industry faces extensive restructuring in the face of the reform of the EU sugar market that entered into force in 2006 and entails significant job cuts.

In the sugar sector’s social dialogue committee, in 2003, CEFS (Comité Européen des Fabricants de Sucre) and EFFAT (European Federation of Food, Agriculture and Tourism)

¹⁰⁹ SEC(2008)2154.

signed a joint code of conduct establishing minimum standards on CSR in eight areas, one of which deals with restructuring. Affiliate members are encouraged to go beyond national and European legislation on information and consultation and measures are recommended to improve the employability of workers. Examples of good practices that should serve as a source of inspiration for improvements in companies are collected, agreed upon and published on the committee's site¹¹⁰. For example, in 2008 the social partners report an Italian multi-stakeholder case: Employers, trade unions, local and national authorities and growers jointly develop alternative projects, e.g. biofuel or energy, to create employment for workers made redundant.

In 2005, they developed an electronic practical guide to facilitate access to the Structural Funds. It features an interactive facility enabling swift access to the relevant funds, for example according to the location of factory. Further to intensified follow-up with the social partners, the EU set up a temporary restructuring fund in 2006 to finance the restructuring measures for companies that relinquish their quotas.¹¹¹

In addition, the European social partners monitor factory closures and engage in a close dialogue with public authorities through regular conferences. In 2008 they established a working group on employability that will report on suitable ways to adapt workers' skills to prepare them for jobs in other sectors.

b. Electricity: Research, best practice and skills development

In the electricity sector, the European social partners EPSU, EMCEF (European Mine, Chemical and Energy Workers Federation) and Eurelectric (Union of the Electricity Industry) are developing, in 2008, a best practice toolkit for restructuring in the electricity sector. The liberalisation of the electricity industry, followed by privatisation, unbundling, mergers and acquisitions, re-organisation and re-orientation of activities has led to extensive restructuring. One result has been job cuts and extensive use of outsourcing. The focus of the study will be on existing policies, structures, procedures and solutions and their positive and negative effects. The toolkit/best practices guide is intended to be an easy-to-use, well written practical guide which can be circulated widely and posted on web sites. It will be useful for human resource and line managers and trade union officials in the electricity sector.

This project follows on from a series of projects and conferences strengthening the place of social dialogue at various levels in the restructuring processes of the industry. In addition, the social partners discussed the impact of the EU energy and climate policies for the future of their industry. In accordance with a joint declaration of 2002¹¹², there has been a special focus on restructuring in central and eastern European countries in these activities.

The electricity social partners also adopted a declaration on future skills needs in 2004. They recognise an emerging deficit in technical and technologically essential skills (craft and engineering) and a growing shortage of new skills (sales, trading, commercial activities, and customer-oriented skills) that are integral to the emerging industry structure in Europe. One consequence is the need for long-term training planning. To meet these needs, the social partners proposed a range of actions. For example, as the number of collective agreements

¹¹⁰ www.eurosugar.org.

¹¹¹ Council Regulation No 320/2006 of the 20.2.2006 establishing a temporary regime for restructuring of the sugar industry.

¹¹² Joint Statement on the Conference on Social Implications of the Electricity Sector Restructuring in the Candidate Countries, 19-20 September 2002, Budapest.

that dealt with training was rather limited, companies and unions might wish to consider what more needs to be done. Equally, the number of technical and non-technical apprenticeships should be increased.

c. A tool to deal with cyclical fluctuations in shipbuilding

The Community of European Shipyards' Associations (CESA) and the European Metalworkers' Federation (EMF) jointly developed a 'tool box' in 2005. It contains information about legislation and best practice across Europe to help deal with cyclical fluctuations in demand. The tool box project aims to increase companies' capacity to react flexibly to changing market conditions while retaining a valuable, highly-skilled workforce in phases of under-employment. Carried out in collaboration with the European Monitoring Centre for Change (EMCC) of the Dublin Foundation, the project involves a survey of eleven countries to establish a comprehensive list of existing instruments, their legal basis and financial support as well as their effectiveness. In particular it examines instruments in the areas of working time, work organisation, such as secondment schemes, as well as financial measures, such as performance-related pay. The intention is to provide a point of reference to the social partners and to facilitate discussions on the most suitable tools. The social partners also contributed to the work of the high-level group 'LeaderSHIP 2015' aimed at developing a programme to ensure the long-term future of the sector.

d. Restructuring, outsourcing and networking in the furniture industry

With the support of the European Social Fund (Article 6 Innovative Actions), the UEA (European Furniture Manufacturers Association), together with its counterpart, the EFBWW (European Federation of Building and Woodworkers), is implementing the project 'Furniture Industry in Restructuring: Solutions & Tools (FIRST)'¹¹³ from 2006 to 2008. After an enquiry that identified the best practices among SMEs, the partners developed a set of tools that allows SMEs to identify their strengths and weaknesses by comparing various criteria for what they can do in-house and what they can subcontract in order to reduce their costs with neutral social impact. These tools allow a review of all relevant factors leading to a decision and reveal real and hidden costs; especially those associated with outsourcing. It provides for benchmarking with other manufacturers' experiences, and, through specific software, allows manufacturers to analyse internal and external data and indicates potential partners for outsourcing. SMEs can thus configure a strategy with the assistance of the partners. The underlying philosophy is the optimisation of resources allocation according to the competitive advantages of the respective European countries. Cooperation through outsourcing and networking should help to consolidate the European furniture industry.

e. Matching skills for the future of the civil aviation industry

The European social partners have jointly launched a project on 'Training and Qualifications in the Ground Handling Sector' with the aim of benefiting from an overview of the best practices obtained by their respective members and to explore new ways of working on training and qualifications. The objective is a compendium of best practices which will help national members of the social partners to anticipate change following the gradual opening-up of access to the ground handling market. The results of the project are expected by autumn 2008.

¹¹³ <http://www.ueanet.com/first/default.htm>.

f. Best practice in socially responsible restructuring in HORECA and catering

In December 2004, EFFAT and HOTREC (Hotels, Restaurants and Cafés in Europe), the social partners in the hospitality sector, signed an initiative for improving Corporate Social Responsibility in the hospitality sector. One of the minimum standards established in these policy orientations deals with restructuring.

‘Since an open dialogue is a pre-requisite for a climate of mutual respect and confidence, employees and their representatives should be regularly kept aware of the situation of the enterprise as well as informed and consulted on planned restructuring measures in due time, in order to avoid, or at least limit, negative consequences of such changes on employment.’

EFFAT and HOTREC regularly monitor the progress made by collecting from their member organisations the best practices developed by enterprises. The social partners regularly assess the collected best practices, which are disseminated among national member organisations and will be put on the Social Dialogue Website. A similar approach has been followed by EFFAT and FERCO (European Federation of Contract Catering Organisations) in their social dialogue in the contract catering sector since January 2007.

g. Research and exchange of information in the textile sector

The social partners in the textile sector, the European Apparel and Textile Organisation (Euratex) and the European Trade Union Federation of Textiles, Clothing and Leather (ETUF:TCL), have held several projects and conferences on the subject of management of change, which is particularly rapid in their sector. A large number of experiences were reviewed jointly.

One example is the case of the Trèves Group which, despite all efforts, was forced to undertake major restructuring measures due to the ever more competitive international environment. In line with the social dialogue approach a joint exchange and negotiating group with all union and staff representatives was set up to manage the process. It agreed accompanying social measures, reassignment to other duties and retraining for work elsewhere. Beyond this joint management of restructuring a forward-looking management of jobs and skills was launched, including a shared analysis of needs and individualised competence development plans.

As a result of the conferences an expert synthesis report made the following recommendations:

- Improve the image of the sector, partly in order to recruit highly-skilled staff
- Promote innovation and reactivity, which is at the heart of the success stories reviewed
- Take action in training and professional career management
- Build quality social dialogue
- Develop employability, including a regional perspective
- Avoid sudden job cuts
- Help SMEs
- Favour an integrated approach of political, legislative, contractual and financial instruments
- Set up a European network of regional resource centres that analyse sectoral developments regarding markets, technology and skills. In a few countries these

resource centres already play an important part in implementing the above-mentioned recommendations.

h. Supporting the reform process in local and regional government

The European social partners, EPSU (European Federation of Public Service Unions) and CEMR (Council of European Municipalities and Regions) in the sectoral social dialogue committee on Local and Regional Government launched the project 'Supporting the reform process in local and regional government: Joint evaluation of the experience in different forms of service provision' in 2007. Its study chimes with the CEEP study on 'Public services restructuring and modernisation through effective social dialogue and human resources management'. At the first discussion of the interim report aiming to set the scene regarding the trends and drivers of change in services delivery, initial findings showed that the situation differs widely from country to country, especially in the use of public private partnerships and the extent of inter-municipal cooperation.

i. Restructuring and change in the European chemical industry

In 2007 and 2008, the European social partners in the chemical industry, EMCEF and ECEG (European chemical employers' group) are implementing a project that studies:

- Experiences with managing restructuring and change in the European chemical industry at company level and national sector level;
- Likely future needs for restructuring due to the European and global economic development and regulatory changes;
- The implications of these developments for employment and the determinants of employability of chemical industry employees.

A series of seminars and conferences will feed into a best practice-compendium and a checklist for successful restructuring.

j. Social dialogue in the rail sector

The European social partners in the rail sector, ETF (European Transport Workers' Federation), CER (Community of European Railway and Infrastructure Companies) and EIM (European Rail Infrastructure Managers), are carrying out a joint study on the Impact of European Freight Restructuring on Employment until autumn 2008. Against the background of the complete opening of the international and domestic rail freight market in January 2007 and the expected restructuring in European rail freight companies, the sectoral dialogue committee project group has carried out study visits to some major rail freight operators and was able to observe the situation in two of the largest European ports, large marshalling yards, key railway sites and the terminals of the two most recent rail motorway systems. The project's objectives are to study the quantitative and qualitative impact of restructuring on personnel in the short, medium and long term. It will possibly lead to joint social partners' recommendations and sharing of good practices.

3 – Common texts on anticipating and managing change concluded in transnational companies

More and more large companies with activities in different Member States of the European Union and beyond are forging a new path by engaging, together with workers' representatives,

in the adoption of texts addressing anticipation and change management at the transnational level.

It may be a sign that corporate governance in Europe is adapting fast to deal more effectively with global markets and the internationalisation of information and decision taking, yet it is too early to form a clear opinion in this field. In any case, business strategies need to anticipate the impact of corporate decisions affecting workers, clients and suppliers located in several countries, and subject to different rules and legislations. Innovative instruments are required to involve stakeholders upstream in the corporate decision process at the transnational level and a particularly good example of such instruments is provided by transnational texts, which are concluded between the management of a company and workers' representatives on a variety of issues and cover establishments and/or undertakings located in several countries

Transnational texts for the European area tend to have as their core aim the establishment of partnerships to deal with restructuring, reorganisation and anticipative measures. 24 out of the 76 European transnational texts recorded focus on anticipation and management of change and 13 additional European and mixed transnational texts address this issue in a text dealing more generally with social policy or social dialogue. A brief review of these texts is presented below.

3.1. Dealing with restructuring

These transnational texts have been concluded in view of comprehensive restructuring measures within Europe or contain provisions for possible future restructuring measures. They generally include safeguard measures for employees, such as the transfer of pension entitlements (for example, *Ford Visteon*) and, if necessary, organise support in finding new employment. They also generally express their commitment to social dialogue in order to communicate better and directly between management and employees and to involve the employees in the decisions taken by the management and keep them up to date on developments within the company.

Ten European texts focus on providing a framework for dealing with restructuring and change (*Axa, Danone 1997 and 2001, Diageo, Deutsche Bank, EADS, General Motors 2004, RWE, Solvay, Unilever*). For example the *General Motors (2004)* text states that '*Management and Employee Representatives will work together in good faith to find financially sustainable and socially responsible solutions for the necessary manpower adjustments. This includes that both parties will examine potential business opportunities in order to lessen the impact on employees. Respective solutions may cover (in no particular order) but are not limited to processes like: Voluntary separation programs, early retirement programs, specific local programs based on national legislation, transfers to spin-offs, joint ventures, partnerships, other locations, etc. and will, in case of a sufficient number of participants, enable us to work towards results without forced redundancies. Both parties acknowledge that these measures cannot be limitless in cost and timing.*'

Other texts, which have not been concluded specifically in view of restructuring measures, contain a general provision should such measures become necessary. For example, the signatories of the *Dexia Group* in their text on social management commit themselves to consulting and holding open negotiations before launching a dismissal procedure and the

European Works Council may send a delegation to the business unit concerned if the negotiations break down and an outside arbitrator is needed.

Ten European texts address specific restructuring cases, in particular the series of *General Motors* and *Ford* transnational texts.

The employer and employee representatives surveyed by the Commission in 2006 reported very concrete results from these transnational texts dealing with restructuring. Management recognized that they helped to bring the negotiation with employees to an end in a difficult and time-limited context, and acknowledged the effectiveness of certain precise provisions such as the ones provided in the *General Motors* framework agreement described in the box above and, more generally, their positive impact on the acceptance by employees of the need for restructuring. Employee representatives also perceive concrete results such as avoiding plant closures, allowing development of outsourced activities and maintaining statutes for employees. They also see the advantages of common rules for dealing with restructuring and the level playing field they provided for the workers affected.

The 2000 ‘Framework agreement on the consequences of the joint venture between *General Motors* and *Fiat*’ at *General Motors Europe*

- *Aim*: employment, status and workers' representation in the framework of the joint venture between *General Motors* and *Fiat* *Provisions*: employment guarantees, maintaining of collective agreements, possibility to return to *General Motors*
- *Initiative*: German unions, EWC
- *Negotiation*: European Group management, EWC select committee including EMF coordinator, workers representatives and HR managers from the affected sites
- *Signature*: General Motors Europe, EWC, EMF
- *Scope*: GM European entities included in the scope of the joint venture with Fiat
- *Effect*: through national implementing process
- *Follow-up*: annual EWC meeting and bilateral unions with concerned sites, disputes brought to the knowledge of the EWC
- *Evaluation*: clear commitment of the parties, acceptance of the alliance by the workers, smooth transitions and safety network, maintaining status, facilitated reintegration of the workers after the alliance failed.

3.2. Anticipating and developing skills, training and mobility

Anticipation of change and forward looking management of competences and skills are the focus of four additional European texts (*Suez*, *Schneider*, *Total*), further to the negotiations held on this issue in French companies with over 300 workers and/or on a Community scale. For example, the 2007 *Suez* Group agreement states that the company should offer improved management of employment and skills, anticipating future changes in occupations, work, growth etc. It should allow for workers also to be able to work in other parts of the company and prevent redundancies. The agreement also provides that a series of structures be set up at various levels to help implement this policy.

In addition to the texts specifically dealing with anticipation and management of change, four European texts focus on training and mobility (*Air France*, *Danone* and *ENI*). Other more general texts include provisions in this regard. For example, the *Dexia* (2002) ‘Principles of Social Management’ sets up common rules for secondment and expatriation and establishes that each worker within the group must have access to training as this will help maintain his employability and develop his career, whether in the same business line or elsewhere.

On the same lines, 2005 research findings¹¹⁴ elsewhere indicate that over 40% of joint texts between European Works Councils and management deal with skills and training and over 30% with staff mobility.

3.3. Organising subcontracting and promoting SMEs

Four European texts focus on subcontracting and promotion of SMEs (*Club Méditerranée, Lhoist, Solvay, Total*). The *Club Méditerranée (2001)* joint declaration deals with the principles to be applied for subcontracting in the EU: *'As and when necessary, the Club Méditerranée companies call upon the services of subcontractors with special skills and know-how. The terms under which subcontractors are hired fully comply with social legislation and collective agreements concluded in the country in question. In this way, both the employees of Club Méditerranée companies and subcontracted workers are protected in each country; Club Méditerranée ensures that the subcontracting companies hired by Club Méditerranée establishments undertake to respect the company agreements and collective agreements applicable to them, where such agreements exist, and also comply with the regulations governing social security, particularly the fundamental principles and rights at work as provided for in the ILO declaration of 18 June 1998 ; Staff representatives from all the villages concerned can refer matters associated with prevailing social conditions in outsourced activities to the management of the village or the respective national Club Méditerranée management with a view to indicating any issue or difficulty relating to the respecting of the aforementioned principles.'*

Positive results were also identified from more general texts on CSR. For example, one transnational text was considered as having introduced managerial principles throughout the group and given dynamism to concrete actions, leading for example to a label for call centres, a negotiation on socially responsible subcontracting in one country and a charter on purchasing.

3.4. A Commission initiative to promote transnational agreements

In 2006, having observed how this new instrument had become increasingly common since the late 1980s, the Commission organised two study seminars for government experts, social partners, academics and company actors to analyse the new approach, its background and initial experiences with texts of this kind. The seminars included background reports, company case studies and interviews with company actors.

The proceedings and materials can be viewed under:

http://ec.europa.eu/employment_social/labour_law/documentation_en.htm#5.

In order to gain more knowledge and expertise on this particular aspect, a company workshop was held on 20/21 May 2008, which allowed for an in-depth exchange between Commission experts, management and European Works Council representatives of different groups of companies from Europe on such agreements. The findings of the workshop have been used to organise a larger conference that was held in November 2008 together with the EU French Presidency on the transnational dimension of social dialogue.

¹¹⁴ J.Waddington, id.

As part of the renewed Social Agenda, the Commission presented a document on transnational agreements¹¹⁵. In order to support the conclusions of transnational company agreements, the Commission will set up an expert group on these agreements with a mandate to monitor developments and share information on ways of supporting the process, and it will invite the social partners, governmental experts and experts from other institutions to take part.

The Commission will supply the expert group with reports on its initiatives and other work on the subject, which will focus on:

- developing a data base of transnational texts;
- organising exchanges of experience and analyses;
- reviewing the effects of company agreements and the way norms relate to each other in the Member States;
- clarifying the rules of international private law in connection with transnational texts.

In this document, the Commission will also propose that support for transnational company agreements be one of the priorities in the budget headings on social dialogue. In this connection the Commission will consider projects to:

- find ways to ensure that the texts agreed are more transparent;
- help to identify the actors, approaches and mechanisms worth promoting in this area,
- determine the conciliation or mediation mechanisms most likely to facilitate the settlement of disputes.

¹¹⁵ SEC(2008) 2155.

Chapter 6. Proactive solidarity through financial instruments

Effective anticipation and management of change calls for early, effective preparation. Workers, companies, national and regional authorities and the social partners all have a role to play. Companies have to adapt to change, and employees have to develop new skills and knowledge. Preparing workers and regions well in advance of a particular restructuring event is the responsibility of the individual workers, the company, the government and the regional authorities. All stakeholders need to be mobilised in order to develop and foster a genuine culture of lifelong learning. Improving workers' skills and adaptability is a priority. In this respect, European Social Fund (ESF) support represents an important contribution from the European Union. Structural funding are primarily used to contribute to the Lisbon growth and jobs objectives.

Different regions are affected by change in different ways. Solutions therefore need to be tailored to the local situation. There are many examples in the EU of dynamic regions which embrace change, anticipate events and move in a fast-evolving, forward-looking business environment. These are regions where all the actors — companies, trade unions, public authorities, education and training institutions, local bodies, etc. — come together around the basic concepts of anticipation, partnership and continual investment in innovation and human resources. Both the ERDF and the ESF play an important role in supporting such integrated action at regional level to anticipate and prepare for the future. In fact, EU funding plays a crucial role in helping employees adapt to change.

The recently established European Globalisation Adjustment Fund (EGF) helps workers made redundant through restructuring triggered by trade liberalisation to get back into the labour market quickly. The EGF is the latest example of solidarity at European level.

This Chapter begins with a brief overview of the development of the Structural Funds (Section 1) before looking at the contributions of the ESF (Section 2) and the ERDF (Section 3). Section 4 restates why and how the Structural Funds cannot be used for relocation purposes and Section 5 presents the EGF.

1 – European Structural Funds and restructuring

1.1. Long history

The structural funds were not all created on one go: the European Social Fund was established by the Treaty of Rome, the European Regional Development Fund following the accession of the United Kingdom in 1973 and the Cohesion Fund with the Maastricht Treaty. They all aim to foster economic and social cohesion and help bring about a better general level of development and wellbeing. They have therefore always been associated, albeit indirectly, with change and restructuring. The ECSC treaty, provided for funding to help coal-mining and steel-producing areas and companies and the ESF was created in 1957 to first help these two sectors. The ERDF

(European Regional Development Fund) was set up in December 1974 with the aim of: "correcting the principal imbalances in the Community resulting from agricultural preponderance, industrial change and structural unemployment." These funds were not organised as a package until 1988, and from then on were grouped together and disbursed in multi-annual periods, called programming periods. These were 1989-93, 1994-99 and 2000-06. The latest programming period started in 2007 and lasts until 2013.

There are three European Structural Funds:

- the European Regional Development Fund (ERDF);
- the European Social Fund (ESF); and
- the Cohesion Fund.

In addition, there are two funds associated with the Structural Funds, although, strictly and technically speaking, they are managed outside the Structural Funds regulations:

- European Agricultural Fund for rural development (EAFRD)¹¹⁶
- European Fisheries Fund¹¹⁷

The Structural and Cohesion Fund regulations have been constantly updated to equip the Union for the future and for different challenges. In 1988 (1989 – 1993 programming period), multi-annual programming became the "norm" and, an order of priorities was introduced together with the concept of partnership i.e. Member States, regions and economic and social groups cooperating to agree strategies for using the Funds. The reform in 1993 (1994-99 programming period) aimed to turn the different funds into genuine instruments for economic and social development with a dual dimension: functional and geographic. A new fund - the Financial Instrument for Fisheries Guidance (FIFG) – was set up and a new objective (low demographic-density regions), was added upon the accession of Sweden and Finland to the European Union.

The Community Initiative Programmes from 1989 to 1999

The Community initiatives programmes were introduced in 1989 as special financing instruments for structural policy. These initiatives were intended to address specific problems affecting the EU as a whole, and were allocated 9% of the Structural Funds. They mainly concerned: transnational and interregional cooperation (INTERREG, REGEN); promoting innovation capacity (STRIDE, TELEMATIQUE, PRISMA, SME); developing rural areas (LEADER) and fishing (PESCA); experimental measures for the environment (ENVIREG) and urban areas (URBAN); adaptation to industrial change (ADAPT); industrial restructuring (RESIDER, RENAVAL, RECHAR, RETEX, KONVER) re-integration of specific groups within the labour market (EMPLOYMENT: NOW, HORIZON, YOUTHSTART).

The RECHAR and RESIDER programs

The Rechar Community Initiative was adopted by the Commission in 1989 to support the economic restructuring of the coal-mining areas of the Community hardest hit by the decline of their industry and the loss of employment. Rechar II pursued the same goal over the period 1994-99, giving priority to the environment, new economic activities and human resources in order to help the areas concerned cope with the deterioration in their economic conditions. It also addressed the impact of the downturn in lignite extraction. RESIDER provided support to the steel industry where certain eligibility criteria were met (at least 1000 steel jobs lost since 1 January 1986; at least 1000 actual or publicly announced job losses since that date; or, at least 1000 steel jobs lost since that date or at risk (as agreed jointly by the Commission and the Member State).

Summary of measures eligible for both programmes (1994-99)

¹¹⁶ EAFRD replaces the European Agricultural Guidance and Guarantee Fund (EAGGF) in the 2007-2013 period.

¹¹⁷ FIFG replaces the Financial Instrument for Fisheries Guidance (FIFG) in the 2007-2013 period.

- Environmental improvement and conversion of old mining buildings to other commercial uses in seriously affected areas, renovation of social and economic infrastructure in mining villages (community facilities, water, electricity, etc.) as part of an economic re-deployment strategy.
- Promotion of new economic activities, in particular those undertaken by small firms, through various supporting measures (new industrial premises and advance factory units, productive investment, access to risk capital, common services, market studies, cooperation networks and innovation in products and processes).
- Promotion of tourist activities, particularly those based on industrial heritage.
- Assistance to bodies concerned with economic conversion and regional development.
- Assistance for training and employment, particularly in small firms whose activity is essential for the development of the area, and for the retraining of miners / steel workers and former miners / steel workers.
- Interest subsidies on ECSC loans, particularly those for small firms, and any conversion measures eligible for an EIB loan.
- For Rechar only:
- Promotion of cross-border cooperation between coal-mining areas.

Funding: €760 million for Rechar – Rechar I (1989-1993) €300 million and Rechar II (1994-1999) €460 million and €706 million for Resider – Resider I (1989-1993) €131 million and Resider II I(1994-1999) €575 million.

The KONVER and RETEX programmes

The Commission adopted the special measures Perifra I (1991) and Perifra II (1992) in response to calls from the European Parliament. These included support for demonstration projects to serve as models for the conversion of military installations. In 1993, the Commission then adopted the Konver Community Initiative to assist regions weakened by the decline in defence industries and installations. Introduced in 1993 as an annual programme, the Initiative continued on a multi-annual basis up to the end of 1999. It provided support for economic diversification in areas heavily dependent on the defence sector, in particular through the conversion of economic activities associated with the sector to reduce dependence on it, and through the encouragement of commercially viable activities in all industrial sectors, with the exception of activities that might have military applications.

The Commission launched Retex in 1992 as a Community Initiative to assist areas highly dependent on the textiles and clothing industry. As provided for in the guidelines published at the time, the Commission then approved a supplementary appropriation to cover Retex schemes in areas eligible under Objectives 1, 2 or 5(b), in particular the five new Länder in Germany. Retex was designed to assist with economic diversification in the areas concerned, with a view to making them less dependent on the textiles and clothing industry and easing the adjustment of commercially viable businesses in all industries, including the textiles and clothing industry itself.

Summary of measures eligible for both programmes (1994-1999)

- Advisory services and equipment (but not production machinery) to improve know-how in businesses: e.g. quality control, computer-assisted design and manufacturing (CAD/CAM), marketing, health and safety, etc.
- Support for local business associations and cooperation schemes, networking and market information systems, with a view to developing know-how, accelerating the spread of new production and organisational methods, and establishing links between research centres and businesses, businesses and their suppliers and customers, etc.
- Business audits in the above fields by a special Task force (with the focus on small and medium-sized businesses), financial engineering schemes.
- Training of business personnel and business services staff, as well as defence -sector employees who had been made redundant or were threatened with redundancy.

For KONVER only:

- Temporary payroll contributions for skilled personnel employed as part of modernisation plans drawn up with the help of external experts.
- Environmental improvement of areas damaged by military installations or the defence industry.
- Promotion of alternative activities, in particular through the creation of SMEs.
- Renovation of economic and social infrastructure (public facilities, water, electricity etc.).
- Promotion of tourism.

For RETEX only

- Rehabilitation of industrial wasteland and refurbishing of abandoned industrial premises, help with treating liquid effluents and industrial solid wastes, technical assistance to develop less-polluting processes.

Funding: €874 million for Konver – pilot project (1992-1994) €130 million, Konver I (1995-1997) €500 million and Konver II (1998-1999) €244 million – and €603 million for Retex – Retex I (1992-1993) €131 million and Retex II (1994-1999) €472 million.

1.2. The current situation

For the programming period 2007-13, three new objectives have been defined:

- « **Convergence** » replaces the former objective 1 and seeks to reduce the gap between the levels of development of the various regions.
- « **Regional competitiveness and employment** » replaces the existing objectives 2 and 3. Its purpose is to boost the competitiveness and attractiveness of the regions and to improve employment, and combat unemployment, by supporting innovation and the knowledge-based society, entrepreneurial spirit, environmental protection and risk prevention, improved accessibility, adaptability of employees and companies, social inclusion, training and apprenticeship, equal opportunities and the fight against discrimination.
- « **European cooperation** » follows directly on from the INTERREG Community initiative and therefore incorporates the three aspects of the latter: cross-border cooperation along land and sea borders, cross-border cooperation on strategic priorities (research, information society, environment, etc.) and interregional cooperation allowing regions to network on a European scale and encouraging the exchange of experience.

To finance these three objectives, three structural funds and instruments have been retained: the **ERDF**, the **ESF** and the **Cohesion Fund** (see table below)

| Objectives | Structural funds | | |
|---|------------------|-----|---------------|
| Convergence | ERDF | ESF | Cohesion fund |
| Regional competitiveness and employment | ERDF | ESF | |
| European territorial cooperation | ERDF | | |

| | | |
|---|--|---|
| Infrastructure, R&D and innovations, investments, ... | vocational training, Work organisation, skills validation, ... | Infrastructures, renewable energy, environnement, ... |
|---|--|---|

Economic dynamism means continuous change. While globalisation and market opening create new opportunities for growth, there may also be negative consequences as adjustment takes place. The regional pattern of the opportunities and threats that emerge is likely to be highly uneven. This is true for instance in the case of the textiles and clothing sector, which has been undergoing restructuring for many years.

The Commission regularly stresses that it is very sensitive to the hardships of change. Its policy is to proactively assist people in moving where necessary to new and better jobs. The

Commission also recalls the importance of abiding by the European and national rules in the case of mass -redundancies, especially with regard to information and consultation of workers' representatives. As always, social dialogue is a crucial instrument in easing the situation for the workforce as much as possible.

The European Cohesion Policy has an important role in supporting public policy to cope with structural adjustment.

The Cohesion Policy aims to strengthen economic and social cohesion across the EU by reducing economic and social disparities. In order to achieve this objective it is designed to support proactive strategies to raise living standards and to diversify the economy. In this respect, support for job creation is an essential part of the wide range of interventions financed.

Both in anticipation of and in response to such restructuring, the European Union has important instruments at its disposal to promote adjustment, in the form of the medium-term programmes financed under the Structural Funds.

In particular, the programmes allow for a regionally differentiated approach, in partnership with the key players on the ground, specifically addressing the type of supply and demand mismatches that arise as the restructuring process in a major sector unfolds.

Regional development programmes provide regions with tools to respond to economic adjustment in the shape of the design and implementation of medium-term strategic programmes. In relation to restructuring, the following specific aspects of the design and principles underlying Cohesion Policy programming are worth mentioning.

- Proportionally more resources target the poorest regions under the new Convergence objective (over 81%), where the most vulnerable industrial sectors tend to be concentrated. The EU is thus able to support diversification in these regions and help them move up value chain.
- The new Competitiveness and Employment objective helps all other regions in the Union to pursue adaptation strategies. This is important not only economically, but also politically, showing that the solidarity of the Union extends beyond the East and South.
- Decentralised management of Structural Funds programmes (i.e. by national, regional or local authorities) facilitates better exploitation of regional and local potential and the proximity of entrepreneurs and SMEs to relevant players crucial for their competitiveness and adaptation (e.g. universities and research institutions, financing institutions). The decentralised nature of Cohesion policy programmes has important advantages:
 - Regional planning of the programmes allows authorities to anticipate threats such as those arising from industrial restructuring and to prepare in advance for the diversification of economic activity.
 - Where delivery is concerned, SME interests can be actively articulated in a timely way by the relevant stakeholders in the programme monitoring committees.
- Even if it has a medium-term focus, the programming process is nonetheless **flexible**. Even though programmes run for seven years, they can be adjusted to adapt to changing circumstances. The action taken in response to the closure of the Rover car plants in the UK has demonstrated this flexibility (see box). Flexibility has been further enhanced for the period 2007-13 by the introduction of a “**national contingency reserve**”, equivalent to 1% of the annual Structural Fund contribution to the “Convergence” objective and 3% of the annual contribution to “Regional competitiveness and employment”. The

reserve is intended for “local or sectoral crises linked to economic and social restructuring, or to the consequences of trade opening”.

- More emphasis than ever is placed on alternative forms of finance, where the Commission has intensified its work with the EIB/EIF and other international financial institutions to develop **SME and micro-business credit** to encourage start-ups.

The MG/Rover case in the UK West Midlands (April 2005) The MG/Rover case demonstrates that the Commission, together with national and regional authorities, can help overcome serious crises in an efficient way and assist regions in efforts to regain economic strength and competitiveness. This €74 million package makes use of the extension of the Learning and Skills Action Plan to provide individualised support in the form of job advice, placement help and re-training for those made redundant.

The range of activities covered includes the following:

- Improving job prospects for redundant workers and helping those in work to retrain;
- Strengthening the communities affected by closures to overcome barriers to individuals gaining employment;
- Retraining of workers to meet critical skills shortages and to create bridges from unskilled to skilled employment to match the needs of the local and regional economy.
- Accelerated diversification of the business base through: appropriate innovation, research/development and business incubation strategies; business consultancy; grants for capital retooling; promotion of new business sites;
- Access to finance through tailored financial engineering- instruments aiming to ensure the survival of viable businesses through the provision of short-term loans or loan guarantees or to help older redundant workers create their own businesses;
- Investment in infrastructures in the affected area particularly in the form of transport links.

The implementation of the EU rural development policy is also based on shared co-management with Member States and regions. It is based on a sound legal basis providing regions and Member State countries with options for developing measures responding to their needs of local situation ensuring at the same time the achievement of the overall regional, national and Community objectives.

Major principle in the implementation of the EAFRD and the Structural Funds is the complementarity between both policies and the achievement of synergy effects in the use and application of all possibilities provided by them.

2 – The European Social Fund and the anticipation and management of change

The European Social Fund is the EU’s main instrument for anticipating change, ensuring adaptability and mitigating the negative effects of restructuring, and has for years contributed to these objectives. Its contribution is presented in more detail below for the previous and current programming periods.

2.1. The 2000–2006 period

In the programming period 2000–2006, the ESF supported interventions in the following five policy fields:

- Developing and promoting active labour market policies;
- Promoting equal opportunities for all in accessing the labour market;
- Promoting lifelong learning;
- Promoting a skilled, trained and adaptable labour force; and

- Improving gender equality.

Support for the anticipation and management of economic change and restructuring was mainly in the area of adaptability and, where linked to the anticipation of labour market trends, in the area of active labour market policies. In addition, some Member States had chosen to co-finance the training of employees through priorities or measures for ‘life-long learning’. All these interventions directly contributed to the positive management of economic change. A more detailed mapping of interventions to support the anticipation and management of economic change and restructuring was carried out in 2007 as part of a thematic evaluation (‘Evaluation of European Social Fund Support to the Anticipation and Management of Economic Change and Restructuring’, carried out by Bernard Brunhes International). This led to the identification of four broad categories of interventions by Member States to manage economic change (see box below),

ESF support for change and restructuring

ESF funding has been used in various ways by Member States, but can be classified into four categories linked to four stages of change — its anticipation, its promotion, its accompaniment and the management of the redeployment of employees made redundant:

Measures anticipating economic change

- Analysis of the labour market, which contributes to improving the skills of the workforce and the competitiveness of the company concerned.
- Analysis of skills gaps and future skills requirements, which contributes to improving professional orientation and thus employability.

Activities to promote economic change

- Advice within organisations for managers to promote new forms and/or ways of organising work and to enhance the competitiveness of the company concerned.
- Research grants / pre- and post-doctoral training. These aim to develop an area’s R&D capability and therefore its competitiveness.

Assistance to accompany economic change

- Training leading to the validation of skills. This contributes to improving employees’ qualifications and their employability.
- Consulting, guidance, and re-qualification to support the restructuring of sectors in decline and also the consolidation of the sector’s competitiveness.

Assistance to support redeployment

- Advice, accompaniment and training using dedicated structures (such as retraining units) to support individuals made redundant and to retain their employability.
- Advice and studies to support social dialogue to improve crisis management through dialogue, always with employability in mind.

An analysis of the role of ESF interventions in the context of the programmes supported by the ESF points to three main types of added value provided by the ESF:

- Added value in terms of volume: ESF co-financing allows support for a greater number of people or a larger number of projects;
- Added value in terms of a broader range of actions that can be supported;
- Added value in terms of the management of restructuring, in regions where such mechanisms do not exist or are not effective.

A closer look at Equal and Article 6 projects

More generally, hundreds of projects were financed during the Structural Fund period 2000–06, with important steps taken to promote adaptation to change and restructuring under the Commission Initiative EQUAL¹¹⁸ and Article 6 of the ESF Regulation¹¹⁹.

While the aim of EQUAL was to promote new ways of combating all forms of discrimination and inequality in the labour market, Article 6 provided for innovative measures to promote new approaches and identify good practices in order to improve the implementation of future activities under the ESF. The common features of projects financed by EQUAL and Article 6 were that they were highly innovative, partnership-based and transnational. Moreover, EQUAL stressed the importance of social inclusion, which is particularly pertinent to the discussion of socially responsible restructuring. At European, regional and national level, the two instruments have yielded rich insights and experiences. Activities under EQUAL and Article 6 can be grouped into 5 themes for which new and effective solutions have been developed. An overview of these solutions and the policy messages into which they can be translated for policy makers at all levels are presented in the following table¹²⁰:

| New and effective solutions | | Policy messages |
|---|--|---|
| Instruments: support systems and structures | | |
| <ul style="list-style-type: none"> • Reconversion and redeployment structures • Knowledge management and learning • Proactive and multidimensional company support | | <ul style="list-style-type: none"> • Help to resource more permanent reconversion and redeployment structures as part of a wider and longer-term restructuring strategy • Support the development of mobile and well-resourced provision for reconversion and redeployment of laid-off workers • Support the development of dynamic systems to capture and manage knowledge, as well as promote learning • Address the problems that many employers, particularly Small and Medium Sized Enterprises (SMEs), face in accessing and making full use of reconversion and redeployment services • Look at company support in a more creative and multidimensional way |
| Instruments: direct support for individuals | | |
| <ul style="list-style-type: none"> • Flexible and accessible training • Development of soft skills • Validation and transfer of personal capital • Empowerment and bottom-up approaches • Targeted support for older workers | | <ul style="list-style-type: none"> • Support and promote the development of soft skills as a critical component in more technical skills training • Foster the principle of empowerment within the design, delivery and evaluation of support measures • Target support at the most vulnerable people in restructuring situations, especially older workers • Establish processes and systems for the validation and certification of skills as a 'passport' to the employment market during restructuring |
| Reconversion strategies and coordination of instruments | | |

¹¹⁸ See Article 5 of Regulation 1784/1999, OJ L 213 of 13/8/1999, p. 5. The EQUAL initiative will terminate at the end of 2008. For further information see the EQUAL website on EUROPA:

http://ec.europa.eu/employment_social/equal/index_en.cfm

¹¹⁹ Regulation 1784/1999, OJ L 213 of 13/8/1999, p. 5.

¹²⁰ The classification is based on the paper 'EQUAL and Article 6: A test bed for innovative and socially responsible restructuring', prepared by GHK consulting Ltd in November 2006. The paper, which contains a number of case studies, was used for the Restructuring Forum held on 4 and 5 December 2006. It can be accessed under

http://ec.europa.eu/employment_social/events/2006/restruct_forum3/art6_en.pdf.

| | |
|--|---|
| <ul style="list-style-type: none"> • In-depth research and analysis • Forecasting and observatory activities • Identification of positive and inspiring examples • Regional planning and strategy development • Structures and tools for ongoing review, consultation and collaboration | <ul style="list-style-type: none"> • Support the development of more structures and tools to get all stakeholders' opinions about the future of the region and get them involved in the subsequent regional development process • Help to promote and disseminate the opportunities offered by restructuring as opposed to the threats and risks • Make provision for longer-term forecasting and planning via the establishment of observatories, particularly at regional and sectoral level • Support more regular and effective evaluation of restructuring measures |
| Partnerships | |
| <ul style="list-style-type: none"> • Inclusive and diverse partnership-working • Clear, stable and open partnership structures • 'Animation' and personal interaction • Definition, allocation and support of partner roles • Social dialogue • Engagement of employers | <ul style="list-style-type: none"> • Focus on and promote the involvement of all stakeholders in restructuring at territorial, sectoral and corporate levels • Provide adequate resources for the establishment and management of partnerships • Support the capacity-building of partners, especially for those organisations that have traditionally been outside or disengaged from the restructuring debate • Focus on identifying and engaging dynamic people to manage and animate the partnership, and ensuring that they have adequate resources and backing to undertake this 'animation' role • Establish organisations whose sole remit is to promote and coordinate inter-regional and transnational partnership working |
| <ul style="list-style-type: none"> • Added value of transnational cooperation | <ul style="list-style-type: none"> • Should emphasise the public authority's role in setting up and leading partnerships • Should be encouraged to participate in partnerships outside their traditional role |
| SMEs and restructuring | |
| <ul style="list-style-type: none"> • SME networks and clusters • Management training and support • Dissemination and awareness-raising | <ul style="list-style-type: none"> • Promote and support the provision of combined SME services, tailored to the needs of individual SMEs or groups of SMEs from particular sectors and/or localities • Support structures that give time and space for communication and relationship-building so as to generate trust and dialogue between SMEs, as well as between SMEs and other intermediaries • Seek to modernise training services and foster more innovative and flexible training provision • Be formulated and disseminated in a way that is clearer, simpler and far more user-friendly for SMEs |
| <p>Two overall conclusions can be drawn: EQUAL and Article 6 projects have managed to address the complex and multidimensional nature of restructuring thanks to their scope for experimentation and innovation. The second conclusion is the value and importance of partnership in addressing the challenges of restructuring. Multi-stakeholder approaches are essential in finding effective and sustainable solutions to economic change. Policies should therefore put partnership-based approaches at the forefront of any measures and allow sufficient time and resources for the proper planning and management of partnership. Otherwise, there is a risk that not all stakeholders will be fully engaged and that solutions are not as effective and long-lasting. The positive experiences with the instruments have been carried forward by integrating the EQUAL and Article 6 provision for innovation, partnership working and transnational cooperation within the ESF programming for the new period 2007 – 2013.</p> | |

2.2. The 2007–13 period

One of the key challenges for the programming period 2007–13 is to strike the right balance for companies and workers to promote the conditions for a flexible labour market and provide both security and flexibility. Maintaining human capital and employment protection as key objectives will rely on ESF intervention to improve the qualifications of the work force and increase the internal flexibility of companies (multi-skilling, training, flexible working methods and structures and working time arrangements) and external flexibility in the form of contingent jobs and outplacements.

The European Social Fund Regulation¹²¹ responds to this challenge, and identifies anticipation and positive management as a priority:

Article 3(1)

'increasing adaptability of workers, enterprises and entrepreneurs with view to improving the anticipation and positive management of economic change, in particular by promoting:

(i) lifelong learning and increased investment in human resources by enterprises, especially SMEs, and workers, through the development and implementation of systems and strategies, including apprenticeships, which ensure improved access to training by, in particular, low-skilled and older workers, the development of qualifications and competences, the dissemination of information and communication technologies, e-learning, eco-friendly technologies and management skills, and the promotion of entrepreneurship and innovation and business start-ups;

(ii) the design and dissemination of innovative and more productive forms of work organisation, including better health and safety at work, the identification of future occupational and skills requirements, and the development of specific employment, training and support services, including outplacement, for workers in the context of company and sector restructuring'

a. Rationale and budget for ESF intervention in 2007–13

Professional training and entrepreneurial mobility are key factors in the transfer of knowledge, skills and good practice, and the ESF offers a broad spectrum of possibilities for direct assistance to workers, promotion of entrepreneurship and support for enterprises and entrepreneurs. In addition to boosting the skills of employees, the ESF programmes for 2007–13 have a stronger focus on the companies themselves. ESF interventions should help enterprises better anticipate and manage change and implement the necessary transformations. This includes introducing new and more productive human resources strategies and work organisation structures.

Around €13.5 billion will be allocated to actions to improve the adaptability of workers, enterprises and entrepreneurs. This includes the promotion of life-long learning and increased investment in human resources by enterprises and workers, training of staff and managers and support for restructuring processes. The capacity of companies to adapt and benefit from changing circumstances is determined by the ability of their employees to acquire new skills and competences. Hence, around €9.4 billion will be devoted mostly to improving human resources planning and development in companies. Of this amount, €2.5 billion will directly target sector and company restructuring through the development of systems to effectively anticipate change. Almost one fifth of ESF funding will be spent directly on adaptability, one of the key areas of ESF intervention in 2007–13 (see table below).

¹²¹ Council Regulation (EC) No 1081 of 05.07.2006.

Table: ESF allocation by priority theme (Source: ESF, DG EMPL European Commission)

| Priority Theme | Financial allocation in €billion | Percentage ¹ |
|---|----------------------------------|-------------------------|
| Increasing the adaptability of workers and firms, enterprises and entrepreneurs | 13.5 | 17.8% |
| Improving access to employment and sustainability | 21.5 | 28.4% |
| Improving the social inclusion of less-favoured persons | 10.0 | 13.1% |
| Improving human capital | 25.0 | 32.9% |
| Mobilisation for reforms in the fields of employment and inclusion | .9 | 1.2% |
| Strengthening institutional capacity at national, regional and local level | 2.0 | 2.7% |
| Total | 73.0 | 96.1% |

Within the support for adaptability, a further distinction can be made between different categories. The development and provision of life-long learning (systems) in companies accounts for by far the biggest part of support in this area (almost 70%). Interventions more directly linked to sectoral restructuring represent 18.6%, whereas innovative and more productive ways of organising work account for almost 12%.

Table: ESF allocation to 'Increasing the adaptability of workers and firms, enterprises and entrepreneurs' by categories

| Category | Financial allocation in €billion | Percentage |
|--|----------------------------------|-------------|
| Design and dissemination of innovative and more productive ways of organising work | 1.6 | 11.8% |
| Development of life-long learning systems and strategies in firms; training and services for employees | 9.4 | 69.6% |
| Development of special services for employment, training and support in connection with the restructuring of sectors | 2.5 | 18.6% |
| Total | 13.5 | 100% |

Source: ESF, DG EMPL European Commission

The EAFRD also supports the investments in training and upgrade of human capital. In the current programming period, a complementarity between both funds has been ensured, including the avoidance of overlapping of actions.

b. Types of activities supported

As in the past, the activities co-financed by the ESF will concentrate on three major types of support: for systems, company and sector restructuring, and individuals.

Supporting systems

ESF intervention in the present programming period will aim to make existing mechanisms and systems to anticipate and manage change more consistent and complementary. To this end, the creation of skills and jobs observatories at national, regional, sector and company level can help to provide strategic information to the various actors to enable them to take timely action and orient their choices. Other action will include the development of forecasting and foresight methods and systems, and stakeholder consultation mechanisms for different sectors and

¹²² (Note: This does not add up to 100% as non-ESF related categories and Technical Assistance are not included.).

regions, along with collective solutions, exchanges of good practices and networks between social partners and public authorities. Instruments for strategic planning and collective solutions should be of particular importance for companies with limited resources, such as SMEs.

Support for systems

Enhancing labour market performance and anticipation of change

Creation of Skills and Jobs Observatories
Creation of National Employment Observatories
Development/Creation of regional and local labour market observatories

Tools and techniques

Development of forecasting methods and systems, benchmarking and indicators, stakeholder consultation mechanisms for the different sectors and regions
Exchange of good practices

Promoting efficient collective solutions

Development and strengthening of partnerships
Supporting social partners
Link between social partners and public authorities

Supporting company and sector restructuring

The ESF can be used to support the development of early warning systems in companies, for example through regular skills audits. Sectoral networks can be vital for sectors particularly affected by globalisation. Support for companies may also target SMEs through the development of consulting services specifically adapted to their needs.

Support for company and sector restructuring

Support mechanisms and tools

Development of anticipation and alert systems (early warning systems) and contingency plans in companies
Development of sectoral networks
Assistance at sectoral level
Strengthening the role of business associations, business support organisations and networks
Developing consulting services for SMEs

Complementary actions implemented under the human capital priority

Fostering entrepreneurship and business strategies
Improving the capacity of enterprises to manage change in a positive way
Fostering an entrepreneurial mindset through education and learning

Supporting individuals

Individualised solutions are a key element in helping workers adapt quickly. Actions might for example take the form of outplacement services, mobility facilitation, career guidance and tailored training.

Support for individuals

Training

Skills mapping and personal plan for professional guidance
Career development and individual guidance
Identification of training priorities and delivery of tailored training

Outplacement and mobility

Provision of outplacement services by specialised units
Fostering geographic mobility in order to help redundant workers move to regions where jobs are available, thus improving labour market outcomes

Some examples of planned ESF support for 2007–13

In Denmark, economic change and restructuring will be supported, as part of other actions, by promoting cooperation between enterprise-knowledge institutions, building cluster-based competences and strengthening the ability of companies to capture the full benefits of IT investment.

Mainly in Sweden, Finland, Slovakia, Ireland and Poland, the ESF will directly target sector and company restructuring through the development of systems to anticipate change effectively. Support will be offered to upgrade qualifications and make professional management skills more accessible to enterprises. The focus here is on the least-qualified workers and on SMEs. There is also emphasis on the enterprises' own organisation and culture as framework conditions for exploiting employees' potential for innovation.

In the UK there will be a focus on low-skilled/vulnerable workers, to empower them to become more resilient to the negative effects of globalisation and intensified competition.

In Portugal, adaptability and lifelong learning are the key areas for ESF investment, with the aim of introducing new qualifications to expand workers' abilities, creating more diverse learning opportunities and developing new ways to deliver lifelong learning. Adults will be encouraged to complete their education, progress to higher qualifications and acquire more professional skills.

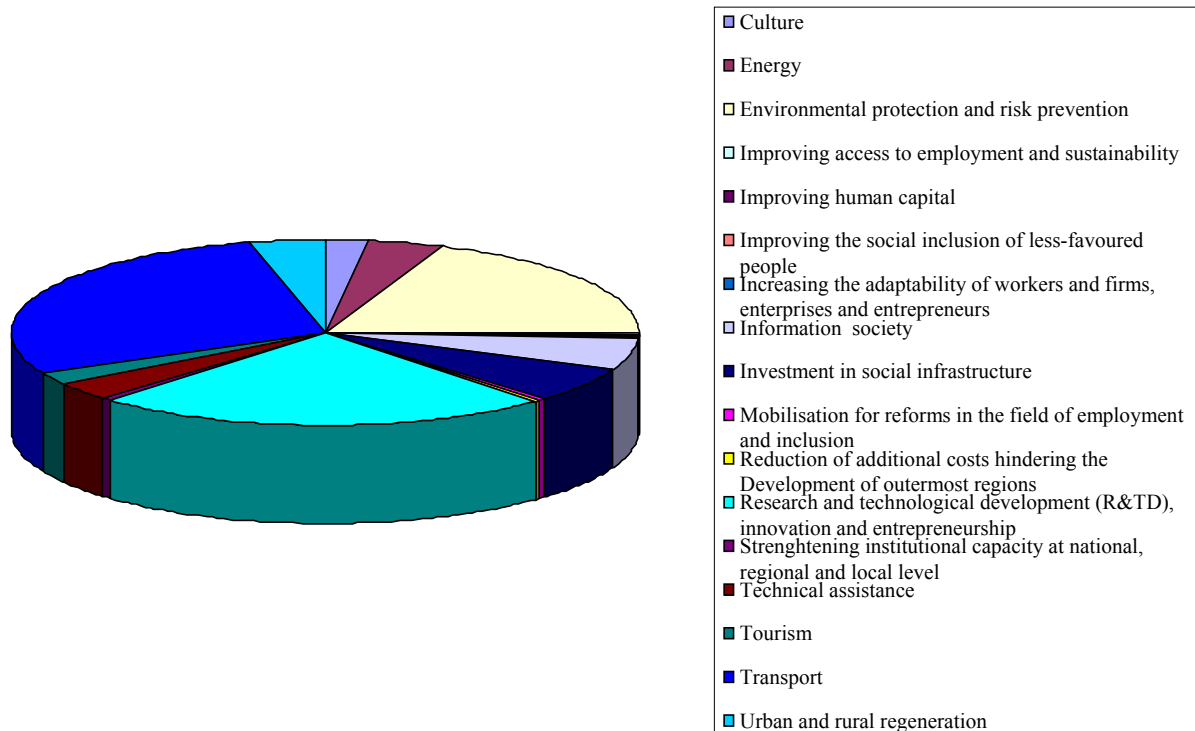
In Slovenia, adaptability and the promotion of entrepreneurship are the key focus of the ESF. The aim is to stimulate mobility among highly qualified personnel to ensure they can adapt to change. Other activities will focus on encouraging knowledge transfer between R&D institutions, universities and businesses, training employees and improving the skills of those workers most at risk of unemployment.

3 –Support from the European Regional Development Fund for restructuring and economic change

3.1. ERDF business support in 2007–13

Cohesion policy puts into practice the principle of solidarity between the peoples of Europe as enshrined in the preamble to the Treaty on European Union. It helps achieve one of the fundamental objectives of the Treaty: strengthening the EU's economic and social cohesion by reducing developmental disparities between its regions. It has a significant impact on the competitiveness of the regions, and on the living conditions of their inhabitants, mainly through the co-financing of multiannual development programmes. It seeks to enable all regions in the Union to benefit fully from the opportunities offered by the single market and contribute to the success of economic and monetary union (EMU). In practice, the year 1988 first saw the EU develop a genuine regional structural policy governed by a series of Community texts. In the EU-25, 123 million people — representing some 27% of the total population — live in regions with a per capita GDP below 75% of the EU average as against 72 million people, or 19% of the total, in the EU-15. Of these 123 million, four out of ten live in regions belonging to the fifteen old Member States while the other six are nationals of the ten new Member States (excluding Bulgaria and Romania).

Allocation of European Regional Development Fund/Cohesion Fund by theme - EU27 - 2007-13



Source: DG REGIO European Commission

Sectoral initiatives were pursued in previous funding periods to address the challenges faced by industries under pressure leading to fundamental restructuring. Such sectoral approaches have been progressively phased out because of the partiality of their coverage, their limited performance and the risks of overlap and multiplication that they entailed. The Commission has, as an alternative, proposed to address restructuring by promoting competitiveness more proactively in the mainstream programmes.

Integrated programmes, unlike sector-specific actions, provide policy makers with the **opportunity to address all the conditions necessary to introduce economic change**. Thus, actions to promote innovation, for example for developing new products and processes in textiles, can involve investment in R&D itself, the development of the skilled labour required and the creation of networks between business, universities and research institutes. Also, through linking the National Strategic Reference Frameworks 2007–13 with other regulatory measures in the national Lisbon Reform Programmes, the context for providing public support to innovation and entrepreneurship is more clearly defined.

Structural Fund priorities frequently include diversifying a region's industrial base and helping it to adapt to economic and structural change. Indeed the European Regional Development Fund (ERDF) is the Community's largest source of financial support for SMEs. The bulk of support for SMEs aims to anticipate and embrace restructuring as a business opportunity in a proactive way, such as by providing support to start-ups or for timely diversification by existing companies into new sectors or products, the adaptation of production processes (under the ERDF), or the introduction of innovative ways of management, work organisation or related training (under the European Social Fund). Moreover, the ERDF facilitates the adaptation of SMEs to change by supporting the

modernisation and diversification of the local or regional production environments within which SMEs operate, for example through support for regional innovation strategies or infrastructures focused on innovation, networking and clustering.

ERDF support for improving the adaptability of SMEs covers in particular:

- Better access to capital for SMEs in the start-up or growth phase (e.g. JEREMIE)
- Regional and local R&D and innovation capacities (e.g. competence and technology centres, ‘poles of excellence’, technology transfer, regional innovation strategies)
- Business infrastructure and support services (e.g. science parks, incubators)
- Cooperation and networking amongst SMEs and between business, research institutions and public authorities (technology transfer, innovative clusters, cross-border cooperation)
- Environmental and innovative technologies and management systems in SMEs
- Better use of ICT
- Promoting entrepreneurship and entrepreneurial education
- Improving human resources potential (education and skills, adaptability of workers and enterprises).

Examples of successful regional restructuring strategies

The Basque Country — Spain — restructuring of a region and its cities

Local industry, structured around the shipbuilding, steel and heavy industry, went into decline in the 1980s. The Basque government, employers and trade unions decided to restructure and modernise these sectors of industry. Nine clusters were created, which together made up 45% of the Basque country’s GDP. Today, they remain the driving force of the region’s economy. After a process lasting some twenty years, the Basque Country’s GDP is currently the third highest in Europe, after regions in Luxembourg and Ireland. Unemployment, which was 25% in 1990, currently stands at 4.5%. Much of the capital has been invested in innovation; private funds account for 66% of total investment (the average in Spain is 48%; the figure for Europe is 54%). The restructuring process was linked with the redevelopment of the region’s cities, including the capital, Bilbao. Culture and local identity played a major role in this process, which led to a high degree of social acceptance of the process itself.

Tawira — Portugal

Restructuring based on redevelopment led to the development of tourism services and an increase in investment in this sector, which helped finance the preservation of the region’s historical and architectural heritage, in turn leading to a further increase in tourism and an influx of private capital.

Porto — Portugal

Restructuring has begun only recently, as a consequence of the relocation of numerous government bodies and firms to the capital, along with a shrinking population and the collapse of traditional retailing in favour of supermarkets. The aim of the restructuring process is to breathe new life into the city centre, to develop cultural services and to redevelop the city’s housing. 2004 saw the launch of the PortoVivo initiative, which aims to attract private investment to the town. This major restructuring and redevelopment project has a twenty-year time frame. The renovation of over 5 000 buildings is planned during this period, which will help preserve a valuable cultural and historical heritage, and will in turn develop the services sector, thereby creating new jobs.

Wroclaw — Poland

The last seventeen years have seen a change in both the city’s economy and its appearance in general. The redevelopment of both the city centre and specific areas of the town has drawn private investors. Hotels and restaurants have appeared. The open policy of the city authorities, its partnership with its twin towns, regional authorities and central government, as well as the cooperation between the city and its immediate neighbours have led to new industries being established in the city’s surrounding area. The Wroclaw Technology Park and the city’s centres of education and industry have launched many initiatives in the field of R&D. Unemployment has fallen from 18% to 6% over this period, though one drawback has been rising prices, e.g. property prices have soared by 400%.

Source: Committee of the Regions

Targeted measures for both large and small firms can help to strengthen the attractiveness of a given region or a Member State by discouraging them from moving. There are examples in Italy, Germany, and Austria where specific schemes to fund technology transfer, R&D,

training skills and business infrastructure have been introduced with the aim of further increasing the competitiveness of the region.

Such measures do not necessarily exclude large enterprises but focus on areas like access to technology, building industrial clusters, grants for machinery and R&D. Thus, they are not intended to help firms (whether large or small) stay put as such, but aim rather to increase their market competitiveness, support their distribution networks or help them to succeed in the supply chain. One such measure was used to persuade a large automotive company, crucial to its region's economy, to remain inside the EU.

3.2. Link to the industrial agenda and the role of networks

The renewed Lisbon Strategy has stressed the importance of creating growth and jobs. In this broad context, competitiveness policy can play a key role in providing industry with suitable framework conditions and making the EU an attractive place to invest. The decision by the Member States to link 75% of all European cohesion policy funding to the goals of the Lisbon agenda will undoubtedly help promote the growth and jobs agenda by increasing the competitiveness of the economy in Europe.

Regional policy, by virtue of its cross-cutting nature, is closely linked to a broad range of Community policies relevant for the competitiveness of regions and enterprises, in particular enterprise policy, research policy, environmental policy, labour market policy and social policy. While the Lisbon strategy has increased the importance of the SME dimension in Community policies, SMEs have already in the past received a major part of Structural Fund support.

Industry has to permanently adapt, and managing structural change has become a key issue. From a sectoral perspective, some sectors were subject to strong competition from low-wage countries and had to make severe adjustments in the 80s. International competition, whether from industrialised countries (the USA or Japan) or emerging countries (China or India), has dictated a shift towards sectors with higher added value and technological content. These changes typically require new skills, new organisations and the adoption of new technologies, and call for enterprises to innovate constantly and to focus on activities with a high knowledge input. Innovation and the successful delivery of the Lisbon strategy are the long-term policy instruments for responding to restructuring and globalisation.

For the period 2007–13, the Community Strategic Guidelines for Cohesion¹²³ emphasise the key role of businesses, in particular SMEs, and their capacity to adapt to economic and structural change, such as by strengthening their investment in RTD, facilitating innovation and promoting entrepreneurship. Various references to SMEs have also been included in the new Structural Fund Regulations for 2007–13¹²⁴. However, Structural Fund interventions have to respect the Community legal framework, such as rules on state aids, the environment or public procurement.

Cross-border cooperation also leads to the creation of new economic regions, going beyond existing administrative boundaries.

For the period 2007–13 the Commission is placing increased emphasis, in partnership with Member States, on existing instruments under the European Regional Policy — Inter-regional Cooperation and the Urban development network programme — for testing good practices for

¹²³ Commission Communication COM(2005) 0299 of 05.07.2005.

¹²⁴ See Official Journal of the European Union, OJ L210 of 31.07.2007.

economic modernisation and increased competitiveness. This initiative, called ‘Regions For Economic Change’, will further enhance the contribution of European Cohesion Policy to the goals of the renewed Lisbon agenda. The total budget of the two networking programmes is around €375 million.

Under the new initiative, the Interreg IVC and the Urbact network programmes will continue to operate as at present. Networks of public authorities in the Member States, regions and cities will select development themes that interest them, and will pursue these through joint networks co-financed by the European Regional Development Fund (ERDF). Participating Member States, regions and cities will continue to play the leading role in running the networks.

The novel features are that: the Commission and the Member States have agreed a priority list of modernisation themes; the programmes are paying increased attention to ‘capitalising’ on results; fast-track networks with specific links to mainstream programmes will be supported by the Commission; and the Commission will reinforce its efforts to communicate and disseminate good practices in particular for projects that clearly contribute to the Union’s jobs and growth agenda.

The European Agricultural Fund for Rural Development and jobs

Similar to the Structural Funds, the EAFRD has focused its attention in the new programming period on job creation and job maintenance, investments in the field of innovation, new technologies, products and techniques, business creation as well as upgrade of human capital in agriculture, forestry, food industry and in rural areas in general along with investments in land management and the environment. In the new programming period, about €12.2 billion of EAFRD will be spent on income diversification measures and improvement of quality of life in rural areas, and another €30.9 billion for improving the competitiveness of agriculture, forestry and food industry.

The Common Monitoring Evaluation Framework (CMEF) for rural development shows that over the period 2007-2013, it is expected to be created about 369.8 thousand non-agricultural jobs under the income diversification measures (data from 64 Rural Development Programmes (RDPs) out of 94 in total) with a non-agricultural value added amounting currently to some €34.1 billion (data from 30 RDPs out of 94 in total). Additional data is expected to come for those RDPs that are currently assessing the potential impacts, which will raise the above figures.

As regards the upgrade of human potential, EAFRD will support the training of some 2.3 million farmers, forestry and food industry managers (data from 77 RDPs out of 94 in total), and the training of about 0.44 million rural inhabitants not involved in agriculture (data from 56 RDPs out of 94 in total).

4 – Structural Funds and relocation

4.1. Distinction between relocation as part of restructuring and ‘subsidy-hopping’

Relocation is a normal phenomenon in economic life. It can form part of a restructuring process. It is also important to keep in mind that decisions on the location of a firm are the responsibility of its own management. The Structural Funds should not be used for ‘subsidy-

hopping' and relocation should not be financed by public aid. In its programme negotiations for 2007–13, the Commission, in partnership with Structural Fund recipients, has paid particular attention to the issue of relocation.

Legal provisions and follow-up

Article 57 of the General Council Regulation (EC) 1083/2006 of 11 July 2006 contains a number of provisions to reduce the risk of EU Structural Funds being used for subsidy-hopping and relocation. In essence they require a Member State to recover any co-funded state aid where a project is terminated within five years after granting of the aid (three years for SMEs). This Member State then informs all other Member States and the Commission of the recovery and as a consequence no other Member State will grant EU funding to the same company. Responsibility for compliance lies with the Member States.

The Commission intends to play a more active role in monitoring relocation throughout the Union. It will ensure the flow of information between Member States on any ongoing relocations that involve EU co-financing, and will seek to ensure that relocated enterprises that have unduly benefited from the Structural Funds do not get any further support in future. The Commission will organise the flow of information required under Article 57(4) and pay particular attention to the relocation issue when taking a position on major projects.

Support is granted to companies by national and local agencies under programmes agreed by the Commission. If a project has a total investment cost of over €50 million (€25 million in the case of environmental projects), the Commission analyses the individual project and the Member State has to indicate the job impact within the EU. If the net effect is negative the Commission can refuse to co-finance. Furthermore, when assessing major projects, the Commission can request all necessary information to verify that the financial contribution from the Funds will not result in substantial job losses in other locations within the European Union, in order to ensure that Community funding does not support relocation within the European Union.

The Commission devoted particular attention to relocation during the 2007–13 programme negotiations, sending a letter to all Permanent Representations requesting the Member States to include the following standard phrase in their operational programmes:

'In the case of assistance granted from the Structural Funds to a large enterprise, the Managing Authority undertakes to request an assurance from the enterprise concerned that the assistance will not be used in support of investment that concerns the relocation of its production or service facilities from another Member State of the European Union.'

For those operational programmes already adopted, or already agreed with the Commission, this paragraph is to be inserted upon the first modification of the programme. The Commission has received clear commitments from various Managing Authorities of the programmes that no money will be used for business investment resulting from relocation.

Cohesion Policy has a particular emphasis on SMEs. Article 3(2) of the [*ERDF Regulation \(1080/06\)*](#) provides that '*the ERDF shall contribute towards the financing of productive investment [...] primarily in small and medium-sized enterprises.*' Moreover, the Strategic Guidelines refer in various places to the priority to be given to SMEs.

While aid to large enterprises is possible within the limits of state aid rules, following various questions by Member States during the 2007–13 programme negotiations, a policy line on limiting aid to large enterprises has been developed. In particular the Commission has made the following recommendations to all Member States:

- For each Member State and globally for Operational Programmes providing direct assistance to firms, a substantial share of this support should be directed towards assisting SMEs; and
- Each Operational Programme should make explicit reference to a minimum threshold of direct support for SMEs as a percentage of the total amount of direct support for all firms during the programming period.

These minimum amounts would not preclude the allocation of all direct ERDF assistance to SMEs, and do not apply to direct support for R&D, given the high importance attached to this type of investment.

Account should be taken of national circumstances, but the overwhelming priority in designing aid schemes for firms should be SMEs.

4.2. European Parliament report and action plan

In response to a Parliament report on the issue of relocation, an action plan has been agreed between the European Foundation for the Improvement of Living and Working Conditions and the Commission's Directorate General for Regional Policy. The European Foundation records information on the restructuring activities of companies in the EU-27 in the European Restructuring Monitor (ERM). This database, updated weekly, already includes information on relocation cases. This element will be strengthened further in the future to allow for an even more detailed analysis of the phenomenon.

The Foundation presents an analysis of the data it collects in quarterly reports and in a yearly restructuring report. This will address the European Parliament's request for 'monitoring the issue of relocation, in order to objectivise its social and economic impact and effect on cohesion policy, spatial planning and regional development, and submitting the findings obtained and putting forward specific proposals to Parliament in the form of regular reports.' The Commission has made an inventory of the information held by the Commission itself (see Annex), and the European Foundation will do the same as regards existing studies and reports within its area of responsibility. The Commission has subsequently commissioned a study on the wider available literature on the subject and its main conclusions. Use will be made of earlier studies carried out in this area.

The fact that Member States will be obliged in future to regularly publish lists of Cohesion Policy Fund recipients may help to feed the European Restructuring Monitor database and track the restructuring activities of the companies concerned.

5 – The European Globalisation Adjustment Fund

The European Globalisation Adjustment Fund (EGF) complements the structural funds, and in particular the contingency reserve. The budgetary reserve created for the Fund contains a maximum of €500 million each year. To activate the Fund, a Member State must submit a request and comply with strict criteria, subject to an assessment by the Commission and approval by the budgetary authority (Council and European Parliament). There must be a proven link between job losses and significant structural changes in world trade patterns and a minimum of 1,000 redundancies in a given company or sector. At company level (Article 2a), the geographical point of reference is the Member State concerned. The number of

redundancies in this case also includes workers made redundant in suppliers or downstream producers. The period in which redundancies can occur is 4 months. At sector level (Article 2b), the EGF can help in case of job losses particularly pronounced in small and medium-sized enterprises in a given economic sector (as defined in the Community's "NACE2" nomenclature published by Eurostat), either in one region (i.e. the "NUTS II" regions for Cohesion policy; see examples in the Annex), or in two neighbouring regions. The period during which such redundancies are counted is 9 months. In small labour markets or in exceptional circumstances (Article 2c), the Fund can intervene even if the criteria in 2a) or 2b) are not entirely met. To qualify for support by the Fund, redundancies must have a serious impact on employment and the local economy.

5.1. Purpose and functioning of the EGF

In 2005, the Commission report on 'European Values in a Globalised World'¹²⁵ emphasised the benefits of opening markets and increased international competition, but also highlighted the need to help workers whose jobs would disappear, to find new jobs quickly. Commission President Barroso proposed setting up a European Globalisation adjustment Fund (EGF) to provide a European response and help those needing to adjust to the consequences of globalisation. This was designed to be a sign of solidarity on the part of the many benefiting from openness to the few who face the sudden shock of losing their jobs.

In December 2005, EU leaders agreed to establish the EGF. During 2006, the Council and the European Parliament debated and refined the concept, until it was adopted on 20 December 2006¹²⁶. Since 1 January 2007, the EGF is funding active labour market policies focused on helping the workers who have become redundant as a result of globalisation, for example through:

- job-search assistance, occupational guidance, tailor-made training and re-training, including IT skills and certification of acquired experience, outplacement assistance and entrepreneurship promotion or aid for self-employment,
- special time-limited measures, such as job-search allowances, mobility allowances or allowances to individuals participating in lifelong learning and training activities,
- measures to encourage disadvantaged or older workers in particular, to remain in or return to the labour market.

The EGF co-finances support provided by the national authorities the form of active employment measures. It will not fund passive social protection measures such as retirement pensions or unemployment benefits, which are the responsibility of the Member States. Applications to the Fund must be submitted by Member States. Individuals affected by redundancies and wishing to benefit from the Fund may contact their national authorities. The EGF does not contribute towards the restructuring of companies or industrial sectors. EGF assistance is not limited to the workers of the main company or sector experiencing difficulties – if the company's suppliers also face redundancies as a result, then their workers may benefit under Art 2a). Thus, the Fund is available to support workers made redundant by small or medium-sized enterprises (SMEs) either in a sectoral application, or if these are suppliers to a large enterprise where redundancies take place.

¹²⁵ COM(2005) 525 final

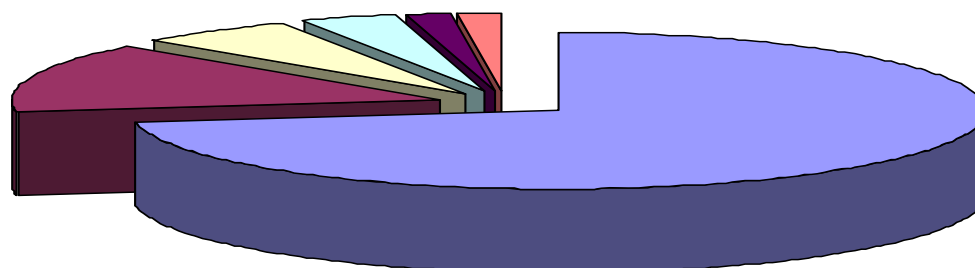
¹²⁶ Regulation (EC) No 1927/2006

5.2. Overview of applications received

The reporting cycle for individual EGF contributions means that the first two reports were received in September 2008. The first evaluation of the EGF is scheduled mid-term in its period of implementation, in 2011. While it is at this stage too early to draw detailed lessons, information on the current EGF cases may be summarised as follows.

Twelve applications for a support from the EGF have been received by the Commission so far.. Financial contributions made by the EGF in 2007 are detailed in the graph below, while the table provides an overview of all applications received to date (as at end October 2008):

EGF Interventions in 2007



| | |
|---|---|
| ■ | Training allowances/Job search allowances - €13.477.888 |
| ■ | Labour market (re-)training - €2.715.632 |
| ■ | Employment incentives - €1.146.050 |
| ■ | Technical Assistance - €639.500 |
| ■ | Start-up incentives - €326.475 |
| ■ | Job-search assistance - €306.573 |

| | Date of application | Member State | Firm, sector or region affected | Workers targeted for assistance | EGF support requested | Status |
|--------------|---------------------|--------------|--------------------------------------|---------------------------------|-----------------------|---------------------|
| 1 | 9/3/2007 | France | Suppliers to Peugeot-Citroën | 267 | 2.558.250 | Paid in full |
| 2 | 23/3/2007 | France | Suppliers to Renault | 628 | 1.258.030 | Paid in full |
| 3 | 27/6/2007 | Germany | BenQ | 3.303 | 12.766.150 | Paid in full |
| 4 | 18/7/2007 | Finland | Perlos | 915 | 2.028.538 | Paid in full |
| 5 | 9/8/2007 | Italy | Textile sector in Sardegna | 1.044 | 10.971.000 | Budgetary Authority |
| 6 | 10/8/2007 | Italy | Textile sector in Piemonte | 1.537 | 7.798.750 | Budgetary Authority |
| 7 | 17/8/2007 | Italy | Textile sector in Lombardia | 1.816 | 12.534.125 | Budgetary Authority |
| 8 | 12/9/2007 | Malta | Textile sector | 675 | 681.207 | Paid in full |
| 9 | 9/10/2007 | Portugal | Automobile sector in Lisboa-Alentejo | 1.122 | 2.425.675 | Paid in full |
| 10 | 12/02/2008 | Italy | Textile sector in Toscana | 1.558 | 3.854.200 | Budget authority |
| 11 | 6/02/2008 | Spain | Delphi | 1.589 | 10.471.778 | Financing Decision |
| 12 | 8/05/2008 | Lithuania | Alytaus tekstilė | 600 | 298.994 | Financing Decision |
| <i>Total</i> | | | | <i>15.054</i> | <i>67.646.697</i> | |

EGF applications by Member State:

Eight Member States have applied for a contribution from the EGF. Of these, Italy has requested support for the textile sector in four separate regions, while France has asked for assistance with two separate large-scale redundancies in the automobile sector.

EGF applications by amount requested:

The amount of assistance requested is calculated by the Member State applying for it, and among other things depends on the scale of the redundancies, the territory concerned, including job alternatives, the cost of implementing the most appropriate measures, and the general environment, including other measures already available. There is no recommended or maximum amount. Requested amounts have ranged from €298 994 in the Lithuanian application to €12 534 125 in the Italian application for the textile sector in Lombardia.

EGF applications by the number of workers targeted for assistance:

Although the EGF is designed primarily to assist with large-scale redundancies, Member States may also make applications for small labour markets or in the event of exceptional circumstances. Furthermore, Member States may choose to focus assistance on only some redundant workers, if it feels that they face particular difficulties in finding new jobs. While most applications (7 out of 12) relate to over 1 000 workers, three others concerning 'small labour markets' target a smaller number, while in the case of the two contributions granted to France, the Member State specifically targeted a sub-set of the workers affected in order to maximise the impact.

EGF applications by amount of contribution requested per worker:

The package of services that Member States can offer is dependent on the circumstances of each case. The amount requested per worker affected can therefore vary according to the scale of the redundancy event, the labour market situation in the region affected, the individual circumstances of the workers affected, or even the general cost structures in the Member State or region concerned. In practice, the amounts proposed per worker have varied greatly, from €498 in the case of Lithuania up to over €10 000 in the case of the Italian application for the textile sector in Sardinia. In general terms, the assistance proposed per worker tends to be higher in regions, or sectors, where the workers face particular labour market problems, or where the costs are higher than the EU average.

5.3. Next steps

In accordance with the Renewed Social Agenda, the first annual report on the EGF¹²⁷ was presented in July 2008. This Communication reports on the operation of the EGF during its first year and makes suggestions for immediate and longer-term ways to improve its performance.

The uptake of the Fund is likely to increase in future years as Member States become more familiar with it and best practices are developed. Moreover, in the current economic climate, the expected increase in globalisation induced redundancies will lead to more cases when the

¹²⁷ COM(2008) 421

support of the EGF will be called upon. In its Communication of 26 November 2008 on "A European Economic Recovery Plan", the Commission announced a future proposal to revise the rules of the EGF together with a revision of the budgetary means available for the Fund.¹²⁸

¹²⁸ See box on financial crisis consequences in Chapter 1

Chapter 7. Stepping up coordination, disseminating innovations and developing partnerships

The Commission has taken several initiatives on the basis of the 2005 Communication on restructuring. The first entailed the setting up of an internal Commission Restructuring Taskforce (Section 1) with a view to achieving greater convergence and synergy between the various objectives and policies relating to restructuring.

The second involved the setting up of a Restructuring Forum (Section 2), which was set up in 2005. Designed as a platform allowing representatives of the European Union institutions, Member State governments, regional and local authorities and the social partners to regularly share ideas and discuss developments, the Restructuring Forum seeks to keep abreast of changes at all levels and to ensure that initiatives under way are properly dovetailed. Since the inaugural session, the Commission has organised a series of sessions focusing on specific aspects of restructuring (the sectoral dimension, the regional dimension, the role of the social partners, the anticipation tools and the specificities of the SMEs) and on individual sectors (automotive and defence industries).

Section 3 describes the enhanced sectoral monitoring that has been developed in the car and defence industries. A European Partnership for the Anticipation of Change was concluded as follow-up to the Restructuring Forum on the automotive industry. A dedicated Forum will take place on the defence industry in December 2008.

The EU has a number of useful instruments for anticipating and accompanying change. Thanks to its capacity for identifying and forecasting sectoral developments and its tools for responding effectively to unforeseen events that impact disproportionately on certain sectors or regions, it promotes successful coordination among all stakeholders. In addition to developing knowledge of restructuring as a phenomenon, the Commission has launched a series of sectoral studies that seek to identify emerging competences at sectoral level and analyse how existing occupations will evolve over the coming years, with the goal of helping workers and companies to anticipate future developments. By applying a foresight scenario-based approach, these studies provide options both for anticipating and adapting to change. This new development is presented in Section 4. In addition, some preliminary work is outlined on the link between restructuring and health.

1 – Coordinating the EU's objectives, policies and action in the field of change and restructuring: the Commission Taskforce

In the framework of the Lisbon Strategy, the mobilisation of general Community policies is one strand of the Community action advocated in the Commission Communication on Restructuring and Employment, to create conditions whereby workers and companies can adapt. A number of fields are involved, such as education, industrial and competition policy, employment policy, cohesion policy and external action. To ensure the overall coherence, convergence, synergy and rationalisation of activities led by different Commission services

and departments, the Communication acknowledged the need for a specific coordination entity in the form of a Taskforce.

The group was set up within one month of the adoption of the Communication, and met on 29 April 2005 for its first session (agreeing on the composition and mandate of the Taskforce).

Mandate of the Taskforce:

- Follow the various external initiatives of the Commission from the start and try to incorporate the main principles of the Commission communication on restructuring and employment (anticipation, coordination).
- Promote the circulation of relevant information inside the Commission services.
- Follow the planned and ongoing analyses by various services of the Commission on restructuring, sectoral evolutions and other main events (e.g. warnings by the social partners) in order to anticipate change better.
- Coordinate the analyses by Commission services on restructuring.
- Prepare and organise the sessions of the Restructuring Forum.

Since this initial meeting, the Taskforce has been convened two or three times a year. The most recent meeting of the Taskforce was held in April 2008 and a meeting of the Taskforce is planned for December 2008.

Pursuant to its mandate, the meetings held were convened to ensure the continued exchange of relevant information and/or rapid coordination and consultation at short notice when major restructuring events or new developments in companies or sectors called for concerted action by the Commission, such as the Hewlett-Packard restructuring in 2006, the restructuring announced for the Volkswagen plant in Belgium, the closure of the Cadiz plant of Delphi or the enquiries into the legality of aid granted by the Polish authorities to shipyards in Poland.

The Taskforce is made up of permanent members representing 20 different services of the Commission and reinforced by other Commission staff when necessary. Where appropriate specific topics are mandated to working groups bringing together the services particularly concerned by the matter addressed (e.g. competition matters). The Taskforce may also decide to issue a joint public statement (see the statement of September 2007 on the Polish shipyards situation below).

Further to discussions at meetings of the Taskforce, intense and sustained work contacts have developed between members. This applies particularly to the preparation of the sessions of the Restructuring Forum and follow-up activities. Depending on the topic, members cooperate throughout the preparation of the agenda and background papers to ensure that all interested participants and relevant aspects are addressed. Joint work is also done on shared monitoring and steering of projects and studies commissioned by the various components of the Taskforce.

The importance and necessity of coordination are also reflected in the impact assessment process. As part of the Better Regulation package and the European Sustainable Development Strategy, the Commission has taken concrete actions to improve the way it designs policy. One of these is Impact Assessment (IA), for which the Commission introduced a new method in 2002, integrating and replacing previous single-sector type assessments. The European Council and the European Parliament have also agreed to undertake IA of major amendments to Commission proposals (see box below).

Impact Assessment at the Commission

IA is a process aimed at structuring and supporting the development of policies. It identifies and assesses the problem at stake and the objectives pursued. It identifies the main options for achieving the objective and analyses their likely impacts in the economic, environmental and social fields. It outlines advantages and disadvantages of each option and examines possible synergies and trade-offs. Thorough consultation of different stakeholders and coordination between the different Commission services are key elements of this process.

IA is applied to all major legislative and policy-defining initiatives included in the Commission Legislative and Work Programme, be they:

- Regulatory proposals;
- Other proposals having considerable economic, social and environmental impacts;
- Proposals having a major impact on particular groups;
- Proposals representing a major change or policy reform.

So far, around 300 IAs have been carried out and published by the Commission.¹²⁹

In 2006, the Commission also created an independent Impact Assessment Board (IAB) to ensure consistency and high quality of its IAs. The IAB works under the direct authority of the Commission President. Its members (appointed in their personal capacity and on the basis of their expertise) are high-level officials from the Commission departments most directly linked with the three aspects of the impact assessment — economic, social and environmental impacts. The opinions of the Board are not binding. However, the Board's opinion accompanies the draft initiative together with the IA report throughout the political decision-making in the Commission.

The assessment of employment and social impacts

In 2006–07 an external evaluation of the Commission IA system was carried out. It confirmed, on a technical level, the difficulties of identifying and quantifying certain types of impacts, particularly in the 'social pillar', and the need to strengthen the quality of the assessment of such impacts. The same concern had already been expressed, on a political level, by the European Parliament in June 2006 on the basis of a study commissioned by the Parliament's Employment and Social Affairs Committee.

In order to develop a practical response to these issues, the Employment DG produced a Toolkit for the assessment of employment and social impacts falling under its competences. The Toolkit provides guidance to answer the questions related to social impacts identified in the IA Guidelines. For each set of questions, the policy framework in which the issue should be examined is described, and basic definitions of the main related concepts are provided. In addition, the main effects usually observed are listed, as well as the principal sources of data.

The Toolkit is likely to contribute to the assessment of relevant social impacts in the framework of the preparation of IAs. Naturally, the other Commission services do not need to assess all the potential impacts described in the toolkit, but can use the guidance for the impacts most likely to be induced by the policy proposal.

In order to provide further tools aiming to strengthen the Commission's capacity to assess potential employment and social impacts, and thus anticipate and facilitate adaptation to change, the Employment DG has launched or is about to launch a number of studies, including:

- A contract to develop a *labour market model*, which should help to assess the effects of labour market reforms in the context of the European Employment Strategy;
- A study aiming to improve knowledge of *how to assess the social and employment impacts in some strategic fields* of Commission policy (trade policy, transport policy, energy policy, Internal Market and especially consumer policy);
- A study on *social impact assessment as a tool for mainstreaming social protection and social inclusion* concerns in public policy in the EU Member States (mainly focusing on the level of the Member States);

¹²⁹ http://ec.europa.eu/governance/impact/practice_en.htm.

- A study aimed at reviewing the existing research literature and approaches/methodologies (applied in the Member States and at the European and regional levels) to identify and measure the *regional employment impacts* of various public policies (both sectoral and cross-sectoral ones) and the *redistributive impacts*.

The following short summary of the topics discussed at the Taskforce meetings will illustrate how this internal coordination mechanism has functioned so far.

In 2005, the Taskforce addressed the following important policy initiatives and developments at three meetings (29 April, 30 June, and 30 September):

- Employment Guidelines (adopted as Council decision on 12 July 2005);
- New regulatory framework for the structural funds (Funds for Regional Development, European Social Fund);
- New industrial policy framework (see Communication COM(2005)474);
- External policies (trade);
- State Aid reform;
- Analysis of the phenomenon of restructuring;
- Preparation and follow-up to sessions of the restructuring forum.

In addition, the meeting held on 30 September was convened at short notice to address the major restructuring at *Hewlett-Packard* and to respond to the request of the sectoral social partners on the impact of the sugar market reform.

In its meeting on 12 July 2006, the Taskforce discussed several issues:

- The preparation of forthcoming Restructuring Forums;
- How to better incorporate anticipative approaches in the national programmes of the new generation of Structural Funds;
- The launching of the project ‘Innovation, skills and jobs’ (see Section 4.1 on Comprehensive sectoral analysis of emerging competences and economic activities in the European Union) and the initiative ‘New Skills for New Jobs’ (see Chapter 4, Section 5.2);
- Sectoral initiatives launched by the social partners in the textile and steel sectors;
- The forthcoming Communication on the external dimension of competitiveness.

At the end of 2006, another meeting was convened in response to the announcement by the German *Volkswagen* Group of a high number of redundancies at the production site in Vorst (Brussels, Belgium).

The Belgian authorities had created crisis management mechanisms and involved the Commissioners responsible for the structural funds (European Regional Development Fund and European Social Fund) to obtain guidance on the use of money from the structural funds, as the transition to the new programming period raised some specific questions. The Taskforce Members informed each other in this regard and heard about the outcomes of the meetings with the Belgian authorities of the Commissioner for Employment and the Commissioner for Regional Policy. The Taskforce was also given information on compliance with the legislation on information and consultation of workers and the ‘Reference guidelines on managing change and its social consequences’ as adopted by the Social Partners at European level.

The first meeting in March 2007 largely focused on the automotive sector (although other high-profile restructuring events were also analysed, such as Airbus, Alcatel-Lucent and

Siemens-Nokia). It provided for follow-up information on the developments at *Volkswagen Belgium* and was mainly driven by a new major restructuring exercise in the automotive sector, the decision of the car parts supplier *Delphi* to close down a site in Porto Real, in a region which had already suffered severe job destruction in previous years. The Taskforce reaffirmed the need for intensified monitoring of the automotive sector. This led to the organisation in October 2007 of a Restructuring Forum dedicated to the sector and the launching of a European Partnership for the Anticipation of Change in the Automotive Sector (see section 3.1 of this chapter)

At the same meeting, state aid issues related to training aid were considered. It was decided to set up a working group of Taskforce members from the Competition, Enterprise and Employment DGs to consider competition matters such as the involvement of third parties in merger procedures and the implementation of the state aid action plan).

The meeting of the Taskforce in September 2007 was primarily caused by recent state aid issues relating to shipyards in Gdynia, Szczecin and Gdansk (Poland). Taskforce members were informed about the situation in the European shipbuilding and repair industry and the enquiries launched by the Competition DG, together with an in-depth analysis of the orientations of the Polish Operational Programmes under the structural funds. The Taskforce decided to issue a joint public statement on the situation in the shipbuilding and repair industry, also in the light of the European experiences and the LeaderSHIP 2015 initiative; it underlined the necessity of developing regional strategies and adjusting the use of structural funds to cope with adaptation needs.

Statement of the Taskforce on the situation of Polish shipyards – September 2007

The Taskforce takes note of the inquiries launched into the state aid granted to the shipyards of Gdynia, Szczecin and Gdansk. Shipbuilding remains an important economic sector for Poland and in particular for the regions of Pomorskie and Zachodniopomorskie (Pomerania and West Pomerania).

All enterprises of this sector throughout Europe have been facing globalisation, including fierce competition, and undergone considerable restructuring for more than 20 years with difficult consequences for enterprises, their workers and regions where this branch of industry was or still is present.

At the same time, the industry is an example for the successful implementation of an industrial strategy, which was launched in 2003, based on the conviction that shipbuilding in Europe will only survive by becoming and remaining a modern and efficient manufacturing sector operating in high segments of the market and stimulated by innovation and high skills. Combined efforts have been undertaken within the LeaderSHIP 2015 initiative¹³⁰ to vitalise the sector and change its image. As expressed in the recently published progress report¹³¹, the Commission will continue and accelerate the LeaderSHIP 2015 initiative where possible.

Polish shipyards which have received or are to receive public money and are confronted with serious efficiency deficits will need to undergo important changes to become successful, viable companies.

Without prejudice to further developments of the current enquiry on the compatibility of state aid granted to the Polish shipyards and regardless of the final decisions that shall be made in these cases, the Taskforce would like to recall the need as well as the instruments available to manage smooth management of inevitable change in order to reduce social costs related to this process to a minimum.

¹³⁰ COM(2003)717 final: LeaderSHIP 2015 — Defining the future of the European Shipbuilding and Repair Industry.

¹³¹ COM(2007)220 final: LeaderSHIP 2015 Progress Report. See also: http://ec.europa.eu/enterprise/maritime/maritime_industrial/leadership_2015.htm.

In its Communication on restructuring and employment¹³², the Commission underlines the importance to anticipate and prepare change, in order to primarily avoid brusque events wherever possible and to have structures ready for relief in cases of unforeseeable events. The Commission is convinced that close partnership between all actors involved — national government, regional authorities, employers and workers' associations, employers and workers' representatives — is a necessary condition for achieving these aims.

The Taskforce encourages all these actors to launch discussions and to engage in the development of joint strategies based on a realistic vision of the future of the shipyards and of their whole regions and addressing the need of economic diversification and re-conversion. This will at the same time enable the targeting and the optimisation of the use of the structural funds available to the regions. Their concept for the new programming period allows developing and supporting measures to foster the adaptability of workers, enterprises and regions. The Commission services are ready to discuss and provide support in this regard.

In 2008, the Taskforce met at the beginning of April, to examine the status of major initiatives in the area of adaptation to and management of change and restructuring, and to ensure continued cooperation in these matters. An informal discussion was held in preparation to the Commission Staff Working Document on Restructuring and Employment.

2 – Capitalising best practices and fostering a multi-actor approach to change and restructuring: Restructuring Forums

The Forum's mission is based on the work already done by existing organisations to exchange information on ongoing changes at all levels and to ensure that the various initiatives are properly dovetailed. The Forum includes representatives of European Union institutions, Member States representatives, regional and local authorities and social partners. As an opportunity for exchanges and discussions, the Forum play an important role in helping trade unions, businesses and workers to tackle the current challenges. The Forum aims at collecting, promoting and disseminating the information gathered by the different projects on restructuring issues. Its main roles are to capitalise on information obtained in EU-funded projects and deliver information to key public actors, such as the European institutions, social partners, scientific experts and the general public. It feeds into the debate on restructuring in Europe.

The Restructuring Forum meets regularly to tackle specific issues on restructuring. Designed as a platform for the exchange of ideas and debate between high-level public and private representatives, the Restructuring Forum has already been held six times since 2005: an inaugural session on anticipation in June 2005, followed by specific forums on the sectoral dimension (July 2006), the regional dimension and the role of European structural funds (December 2006), anticipation of changes (June 2007), the automotive sector (October 2007) and adaptation of SMEs to change (November 2007).

| RESTRUCTURING FORUM | SUBJECT | FOLLOW-UP |
|----------------------------|------------------------------|-----------------------------------|
| 23 June 2005 | Inaugural session | |
| 18 July 2006 | Sectoral actions in industry | Sectoral Foresight studies |
| 4–5 December 2006 | Regions and Structural Funds | ESF Committee Meeting (6.12.2006) |
| 25–26 June 2007 | Anticipation of change | Anticipedia (work in progress) |
| 17–18 October 2007 | Automotive industry | European Partnership |

¹³² COM(2005)120: Restructuring and Employment: anticipating and accompanying restructuring in order to develop employment.

| | | |
|---------------------|--|---|
| 26–27 November 2007 | SMEs and change | Good practices in training and adaptation of skills |
| 13–14 November 2008 | Transnational Agreements | Support to share experiences |
| 27–28 November 2008 | Innovative actions Art. 6 ESF | Toolkits for stakeholders |
| 8–9 December 2008 | Defence industry | European partnership |
| 2009 & 2010 | Climate change Sectoral skills foresight Private equity | |

Each of the Restructuring Forums, which brought together hundreds of representatives of governments, regional and local public authorities, companies, social partners and academics, provided an opportunity for broad discussion on the mutual interdependence of the various factors involved in tackling the restructuring of companies, and the benefits of proactive and positive management of change processes.

2.1. 1st Forum: the inaugural session — 23 June 2005

This inaugural session was held on 23 June 2005, in Brussels, and was chaired by Commissioner Vladimír Špidla. The President of the Commission José Manuel Barroso, the President-in-Office of the Employment Council François Biltgen and high-level representatives from the EU institutions and the major European social partners were present. Among the main conclusions of this event were the need to anticipate and accompany change with a view to giving workers affected by restructuring the opportunity to swiftly find new jobs, and the importance of planning coherent policies in order to exploit all possible synergies between the actors.

SPEECH HIGHLIGHTS

Mr José Manuel Barroso, President, Commission

Europe has many assets. Together, we can anticipate, manage and stimulate change where it is needed. (...) Making Europe attractive for work and investment, investing in innovation and knowledge, creating high-quality jobs: this is the programme which should allow Europe to become more prosperous, provide jobs for its young people and consolidate its social protection. (...) Restructuring is always painful when it hits a city or region which sees many jobs disappear. We must listen to these concerns and answer them innovatively, in close cooperation with all those concerned — companies, the social partners, local politicians, employment services. Everything must be done to ensure that restructuring does not lead to exclusion. (...) I warmly welcome the creation of this Forum by my colleague Vladimír Špidla. It will contribute to bringing about a new political consensus for which I have long wished and which is, today, so necessary for Europe's progress. (...) Managing restructuring is the great challenge of our age. (...) The speed of these changes means that we must anticipate them and listen to citizens.

Mr Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities

Today we see two major types of restructuring, which call for political answers at different levels. The first one happens inside the sectors of activity and is linked for instance to technological possibilities to locate subcontractors and suppliers anywhere on the planet. This kind of restructuring calls for an individual, reactive and anticipatory accompaniment, adapted to the conditions of the territories and of the companies concerned. The second type of restructuring occurs between the various sectors of the economy. Almost 15 million jobs were suppressed in the sectors of Agriculture and Industry in the last 25 years. As an answer, Europe has to build the basis of dynamic and sustainable growth. For that purpose, Europe must invest in the 'human capital', i.e. three complementary fields: research, innovation and education.

Mr François Biltgen, Luxembourg Minister of Labour and Employment, President-in-Office of the Council

Restructuring is unavoidable. If Europe wants to continue to be competitive, it needs an added value which implies restructuring and perhaps at a higher level. The aim is now to find a strategy to cope with that. (...) We cannot be passive, we must be active and even proactive, everybody is concerned, social dialogue has a role to play, anticipation is needed (like in the case of MG Rover) and all levels of action are welcomed.

Mr John Monks, Secretary-General of ETUC

Restructuring is a fundamental question along with the demographic challenges, the question of working time and the duration of working life particularly in the new Member States. In a context of globalisation, the security

of jobs is decreasing; relocations are a major source of concern for citizens. To face that, Europe needs more growth and more confidence. Mr Monks congratulated the Commission and Commissioner Špidla for their initiative to put the theme of restructuring on the agenda. It is a new challenge, a threat but also an opportunity. He expressed doubts about the functioning of the forum but he will be interested in its outcomes.

Ms Thérèse de Liedekerke, UNICE's social affairs director

She expressed doubts about the suitability of an EU-level framework for managing the consequences of restructuring at company level. Public authorities can help (important role of the structural funds in general and of the European Social Fund in particular), but they must respect the autonomy of social dialogue within companies.

Outcomes

The debates showed that important consensus points exist in the European Union, which have been strengthened:

- Restructuring forms part of the world we live in, as it always has, but today new cases arise more frequently due to the combined effects of globalisation and technological changes.
- Anticipation of change is necessary and has to involve all actors, especially at the local level.
- The accompaniment of restructuring through rapid and proactive intervention, in particular from public employment services, is important, in order to give the workers affected the means of finding alternative employment.
- The role of the social partners is essential to create the conditions for positive management of change and the European works council represents an important tool for positive management.

2.2. 2nd Forum: Sectoral actions in industry — 18 July 2006

In October 2005 the Commission launched a Communication on industrial policy with an outline of work for manufacturing industries for the coming years¹³³. It included new cross-sectoral initiatives and initiatives tailor-made for specific sectors, intended to complement work at Member State level and help address the key challenges faced by the various sectors of the manufacturing industry.

Against this background, and following on from the inaugural session of the Restructuring Forum, the Employment DG and the Enterprise and Industry DG organised in Brussels, on 18 July 2006, a session of this Forum dedicated to the sectoral dimension of restructuring.

It started with an opening session during which the floor was given to the European Union institutions and then four interactive sessions were held in parallel, allowing participants to join discussions on four topics around the two main themes of the Forum (sectoral industrial policy and sectoral social dialogue):

- ***The European Union's support instruments, including financial mechanisms*** — general topic, dealing with all EU policies and instruments relevant in the field of restructuring (social dialogue, labour law, industrial policy, macro-economic policy, trade policy, structural and cohesion policy, etc.) All these policy fields are mentioned in the Communication on Restructuring and Employment of 31 March 2005.
- ***Sectors concerned*** — focused on the Industrial Policy Communication of October 2005 and, in particular, on the 27 industry sectors analysed and the 15 follow-up actions announced in that Communication. The idea was to discuss the role of sectoral industrial policy in anticipation of change and restructuring and how social partners' organisations

¹³³ COM/2005/474 final of 5.10.2005.

can contribute to and participate in the follow-up actions being launched by the Commission.

- **The role of the sectoral actors** — session addressing mainly concrete experiences of the sectoral social partners' organisations, at European as well as at national level, in anticipating and managing change. The speakers were also invited to look ahead and give their views on the role these organisations should assume in the future.
- **Link between the sector and other levels** — discussion of complementarities between the sectoral dimension of restructuring and the company level, as well as the regional, national and European levels. Restructuring is an issue that arises and has an impact at company and possibly also regional level. But it is also frequently a sector-driven phenomenon: many companies in a given sector may face common problems or challenges. How can one articulate all those levels of intervention? What are the speakers' experiences in that area? Also Europe has a role to play, but what role?

The event brought together several hundred high-level representatives of European Union institutions, Member State governments, regional and local authorities and the social partners. It had three main objectives: (i) to showcase experience and potential of sectoral social dialogue and of sectoral social partners' organisations in anticipating change and restructuring; (ii) to familiarise them and the other Forum participants with the Commission's Communication of 5 October 2005 on a new integrated industrial policy, which aims at developing tools to predict and anticipate change and at implementing coordinated actions to reinforce certain sectors; and (iii) to discuss the European Union's financial mechanisms which support anticipation and management of change and restructuring.

SPEECH HIGHLIGHTS

Mr Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities

It is now understood that economic change leads to increased and faster competition and that the rhythm of restructuring is accelerating. Its sometimes tragic social consequences indicate a need to react. (...) The Commission develops a positive approach for anticipating change. (...) The first idea is to better coordinate European policies and financial support through the structural funds and the Globalisation Adjustment Fund which was adopted by the Council in 2006¹³⁴ and which should be available soon. Secondly, there is a need to adapt the regulatory framework from a policy based on job security towards employment security. Geographical mobility of workers is to be developed too in the direction of portability of pension rights. Thirdly, partnership is vital for good positive change, vital for managing restructuring. Social partners have a major role to play.

Mr Matti Salmenperä, Director, Ministry of Labour, Finish Presidency

Innovation is the best answer to give to the problems caused by restructuring. In Finland, social partners have launched a special discussion on restructuring in different sectors. It is striking to see that the sectoral differences are not so important as common conclusions were reached: (i) the importance of training and education; (ii) the need to develop organisation of work; (iii) the need to increase Research and Development; (iv) the importance of productivity development; (v) the need to simplify regulatory environment and relaxation of taxation; (vi) the need to develop management and business skills. (...)

After having explained that a restructuring process is poorly managed if it appears that major periodical redundancies continue to occur, two warnings must be made concerning a good restructuring process. 1 — A new approach to innovation is needed. About the internal organisation of the firm, the management of innovation at the micro-level must be improved; 2 — Globalisation is not only an external shock; it is dependent on every firm. This is why a reaction at the stage where the effect is already badly felt is too late. In conclusion, it must be said that the approach of the Commission is very interesting but must be complemented by a common policy that takes into concern especially the needs for fostering innovation at all levels and necessary steps to take care of vulnerable groups and regions.

Mr Heinz Zourek, Director-General Enterprise and Industry

The Enterprise and Industry DG wants to manage and anticipate change actively to bring positive results. It is the aim of its new Communication on Industrial Policy. (...) The choice of an integrated approach has been

¹³⁴ Regulation (EC) N° 1927/2006.

made to develop the job market and industry. There has been a significant and appreciated coordination between Employment DG and Industry DG. (...) An anticipatory, proactive approach is necessary. The final integrated legal framework must be appropriate for everyone (owners of firms, workers...). The purpose of this forum is to brainstorm, exchange experiences, to understand how structural change can become an instrument for better growth and employment and not a phenomenon of suffering.

Mr Jean-Paul Mingasson, General Counsellor, Business Europe (Ex-UNICE)

Restructuring of companies becomes vital to adapt to current socio-economic changes and to ensure companies' long-term viability. (...) The industrial policy is a strategic element of the growth and jobs strategy. (...) The best approach is to mobilise existing Community horizontal policies, to make better quality legislation, to focus on research, innovation, competition, education, employment, respect for internal market rules, cohesion policy, trade policy and create an integrated approach addressing, if required, the needs of specific sectors. (...) The EU financial instruments can play a useful role in the restructuring process. The European Social Fund (ESF) correctly focuses on priorities that will contribute to better coping with change, such as active labour market policy, education and employment access. (...) Social dialogue is vital for facilitating change.

Mr Patrick Itschert, General Secretary, European Trade Union Federation: Textile, Clothing and Leather

About anticipation, 'zero dismissal' is impossible, but 'zero unemployed' is the objective. (...) Sector analysis high level groups are the tools of anticipation. There is also a need to focus on education and to create regional observatories. (...) What can enterprises do? Anticipate, avoid cross-mismanagement, and emphasise corporate social responsibility. To ease the enterprise role, the European works council directive should be revised.

Mr Robert Drobnič, Director-General for Labour Market and Employment, Slovenia.

*The actors' interventions must be underlined and sorted into three categories: 1-Anticipation tools were developed at regional/local levels. They took the form of committees created to anticipate change with the assistance of the government analysis. 2-The drivers of change were social dialogue, regional and local partnership and also the work of public services in local areas. 3-The management of change was due to governmental help and intersectoral coordination. In concrete terms, a new law defined criteria to allocate help in case of restructuring. A first strategy was to try to preserve employment, but after a while, it was realised that some funds had had an effective long-term role but that most of them were not as efficient as expected. It was better to accept change. It seems that this new strategy has been positive; at the beginning of the 90s, the unemployment rate was 7-8% (125 000 people) whereas it is 5.8% (85 000 persons) now. In conclusion, some keywords are **training** (especially for those who have a low level of education), **anticipation**, **transition**, **flexicurity** and **coordination with social partners**. Europe can help at different levels. For instance, Slovenia can use the European Social Fund to build and modernise administrative capacities to develop anticipatory instruments.*

Outcomes

The nature of industrial policy has changed. Industrial policy is not geared towards protecting sectors in decline. The renaissance of industrial policy is motivated by three factors:

- The new 'growth and employment' strategy,
- Structural change
- Developments in the world economy (and competition with China).

The cross-sectoral importance of industrial policy is generally recognised and we know there are some limitations to the sectoral approach, but the sectoral dimension remains important. This is why the Commission has screened 27 manufacturing industry sectors to examine six basic challenges and see which issues are relevant from a policy point of view. This has already produced interesting results. The next step is to put in place the appropriate framework conditions at a sectoral level to promote competitiveness and thereby boost employment creation at a sectoral level. The role of public authorities in assisting sectoral development must also be underlined to strengthen an industry where there are clear market failures or coordination difficulties (as in the Galileo project, where public authority had to intervene to allow the emergence of a new technology by breaking a monopoly in satellite communication). The Finnish presidency is also putting a lot of emphasis on the demand side of innovation.

From an employment policy point of view, training and recognition of training to support mobility is paramount, but the limitations of the sectoral approach must be stressed. First, job destruction occurs within one sector but creation and reallocation may very well take place in other sectors. Secondly, an active labour market policy (of which the Nordic countries were pioneers) does not create new jobs. It is about matching... All this leads to the conclusion that the regional perspective is very important.

Social partners need a global view on the implications of the challenges ahead and, at company level we need a social dialogue that relies on, and in return yields, trust. At sectoral level, a renewed industrial policy is linked to a tripartite forward-looking vision relying on European social dialogue committees as well as assistance with the development of innovative products, action to ensure intellectual property rights are observed, and easy access to the capital.

2.3. 3rd Forum: How dynamic regions face restructuring. The role of the European Social Fund and of the other Structural Funds — 4–5 December 2006

The European Union is full of examples of dynamic regions which embrace change, anticipate events and move in a fast-evolving, forward-looking business environment. These are regions in which all the actors — companies, trade unions, public authorities, education and training institutions, local bodies, etc. — get together around the basic concepts of anticipation, partnership and continuous investment in innovation and human resources.

The Structural Funds and the European Social Fund (ESF) in particular, have been playing an important role in supporting integrated actions carried out at regional level, aimed at anticipating and preparing the future. Their role in that regard should be reinforced in the years to come.

Against this background, the Employment DG, the Enterprise and Industry DG and the Regional Policy DG have organised in Brussels, on 4–5 December 2006, a session of the Restructuring Forum entirely dedicated to the regional dimension of restructuring and the role of the ESF.

Several hundred high-level representatives from the European Union institutions, companies, social partners, central governments and regional and local authorities gathered in Brussels to discuss the theme ‘How dynamic regions face restructuring — The role of the European Social Fund and of the other Structural Funds’. The event was organised in close cooperation with the Committee of the Regions. Although it analysed what has been done in the recent past, it was strongly focused on the future, i.e. on the 2007–13 programming period of the Structural Funds.

As in the previous Forum, four interactive sessions gave the participants an opportunity to exchange views and debate around the forum’s main theme: the role of regions in anticipating and managing change and restructuring. The themes of these interactive sessions were:

- **Instruments: effectiveness and pertinence.** The instruments include mechanisms and structures (regional labour market observatories, experts’ networks, reconversion cells, training of ‘change managers’, etc.), as well as effective interventions (anticipation, targeted training, aid to individuals, promoting entrepreneurship, etc.).
- **Coordination of reconversion strategies and instruments.** The aim is to stress the need for a regional strategy covering the different policies and instruments (employment, education, training, innovation, R&D, local development, social dialogue, industrial policy, etc.).
- **Partnerships and regional dialogue.** The importance of well-managed partnerships for regional restructuring cannot be underestimated. However, partnerships differ in

scope, size and management, depending on the needs and objectives of the regions concerned. This workshop will discuss partnerships and their potential for successful restructuring.

- **Competitiveness centres, SMEs and regions.** Stress the role of regions as indispensable layers for competitiveness promotion and innovation, as well as for the anticipation of restructuring by SMEs

To feed the Restructuring Forum's discussions, a background document was prepared¹³⁵ on the patterns for potential ESF interventions in order to better anticipate change and restructuring in the 2007–13 programming period. This document was also submitted to the ESF Committee.

SPEECH HIGHLIGHTS

Mr Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal opportunities

In this Forum we are going to understand how different regions in Europe anticipate restructuring and manage to implement economic and social alternatives for affected companies and workers. We will realise the importance of ESF and other structural funds that support anticipation and proactive actions and assist people facing restructuring. (...) I wish that the ESF will play a key role in this field all through the next programming phase.

Mr Günter Verheugen, Vice-President of the Commission in charge of Enterprise and Industry

We must avoid that changes are unexpected and regions unprepared with all the negative consequences that we know. This is not only a responsibility for policy makers. It is a very strong responsibility also for the companies involved. I have discussed the matter with the CEOs of the most important European companies and I have asked them 'When do you know that a certain sector of your company is in trouble? When do you know that one of your products or one of your productions will be no longer competitive?' The surprising answer was 'We know it between 3 and 5 years in advance. It does not come as a surprise'. Of course, then the question is 'What are you doing to prepare the region and to prepare the workers?'. A European company does not have only responsibility for the shareholders. The management has also responsibility for the workers, their families and the location where they are. (...) If at the end of the day, restructuring leads to the closing down of production facilities and lay-offs, huge lay-offs of the workers, then it's normally justified to discuss management failure. Modern management in the 21st century means to adapt to the change and prepare the company for that.

Mrs Tarja Filatov, Finish Minister of Labour

Investment in human capital grows in importance as labour becomes scarce. (...) As a result of globalisation, governments cannot guarantee to workers that they will maintain the same job throughout their careers. Instead, governments must try to guarantee employment security. (...) The ESF should also be a response to globalisation and be a tool to confront restructuring.

Prof. Maria João Rodrigues, University of Lisbon

The purpose of my statement is to ask if there is an alternative to the cases of difficult restructuring. I would say 'yes' there is an alternative provided that we are able to envisage restructuring more and more as an industrial change and provided that we are able to improve our capability to manage change. This means that we should go beyond passive answers and we should be able to build proactive answers and a preventive approach concerning restructuring. (...) Structural funds should be placed in this broader context of different instruments which are now available in order to have a stronger coordination of education, training and innovation policies towards new opportunities of investment and job creation in Europe. I hope that in this way we will be able to prevent step by step cases of restructuring and to create in advance more and better jobs for the European citizens.

Mr Michel Delebarre, President of the Committee of the Regions

This forum is at the heart of the preoccupations of the Committee of Regions because many regions suffer from restructuring. (...) Dramas are not inevitable. It is possible to re-create possibilities, to give hope. But it is possible only if there is a collective will, as well as financial and legal provisions, especially at the European level. A positive dynamic depends on solidarity and on realistic and innovative strategies at local level. For this, the national and the European policies and frameworks such as the European Social Fund, the Cohesion Fund, the Globalisation Adjustment Fund, industrial policy and the social Community acquis are very useful

Mrs Danuta Hübner, Commissioner for Regional Policy

¹³⁵ http://ec.europa.eu/employment_social/events/2006/restruct_forum3/esf_fiche_en.pdf.

The best protection we could offer to our employees in Europe today is the security that they will have the skills to move from one job to another.

Mr Andrea Moltrasio, Vice-President of Cofindustria

We are on the right road as long as the idea shall be to strength regional competitiveness and human and physical capital, as well as fostering innovative capabilities.

Outcomes¹³⁶

Like all other EU policies, the provisions of the Structural Funds concentrate more and more on the need for proactive management both in terms of timing and anticipation, regarding the impact made by restructuring on the development of high quality infrastructures and on the maintenance of a well-trained workforce. It is this transversal approach to prevention that is increasingly becoming the distinctive feature of EU interventions.

These interventions need to be flexible since there is a very wide variety of local circumstances in Europe today. It is natural to consider first the disparities in development between the former Member States and the new entrants, and the considerable disparities that exist between agricultural regions, such as old industrial regions in the process of transition to more advanced regions. However, there are other sources of differences that often receive less attention and that can be crucially important. Firstly, between the regional powers themselves, whose skills, responsibilities and resources vary quite considerably from one country to the next; secondly, between the adjustment capacities of labour markets at both the local and national level. For example, the presence of substantial numbers of employees with recognised professional qualifications makes it easier to retrain them if these qualifications are regularly updated and match the qualifications being sought. On the other hand, the huge number of employees trained in-house and who therefore do not have transferable qualifications are much less easy to place elsewhere, which is an obstacle to their redeployment and pushes agencies at both local and national level either to try and keep them in their jobs or to force them out of the labour market (through early retirement or other similar schemes). In certain institutions, labour force adjustments can play a major role, while in others, they may be broadly neutralised. In some sites, the search for substantial redundancy packages and the fight against discrimination may be the most important point for collective monitoring and negotiation, whereas in other sites the question of guaranteed redeployment is the main priority. The room to manoeuvre and sources of conflict are therefore not the same, but are dependent on the mechanisms favoured at local level.

In his conclusions, the general rapporteur, Mr Gazier, underlined at a more general level that three lessons may be drawn from these interactive sessions. The first, which is resolutely optimistic, is that no industry should be written off. In all sectors, even those apparently subject to the fiercest international competition, niches of skills and specialisation remain and can be filled, on condition that the interactions mentioned above are developed. The second lesson is more difficult and is the result of a paradoxical effect of the study of accumulated best practices. Best practices are often seen as dependent on perceptive and persistent actors. Consequently, it is difficult to make generalisations about best practices. Above all we must recognise and go beyond what we might call the ‘melancholy of best practices’. In fact, the emphasis that is often placed on pre-existing cooperative networks and the involvement of highly qualified project promoters comes back to the focus placed on trust and the need to build on this even when these resources and networks have not yet been developed. So we come back — and this is the third lesson — to the importance of not leaving anyone behind,

¹³⁶ By the Final Rapporteur, Prof. Bernard Gazier, University Paris
http://ec.europa.eu/employment_social/restructuring/docs/syntesis_en.pdf

and to not only build effective ‘transitions’, but also stable and secure centres, to create trust and active involvement as widely as possible. The destruction of jobs, even if compensated by other jobs in the same location, always unleashes a period of bereavement, impoverishment and dispersion that destabilises its victims. The commitment of all communities concerned within Europe must be to create a culture of solidarity, even more so now than in the past, in order to liberate initiatives. Debate on this issue has shown its social as well as its economic relevance.

2.4. 4th Forum: Anticipation of change — 25–26 June 2007

A technical forum on restructuring, organised in Brussels on 25 and 26 June 2007, provided an opportunity to share experiences and examples of good practices regarding anticipation of restructuring at various levels.

The restructuring of companies often involves costs, which can be very high, not only for the workers concerned, but also for the local or regional economy. Maintaining social cohesion — which is a distinctive feature of the European social model — requires the adoption of accompanying policies aimed at minimising social costs and promoting the search for alternative sources of jobs and incomes.

Under these conditions, it is essential to ensure good management of restructuring, which responds to both the urgent economic and the social requirements. Anticipation and the accompanying of these activities fit fully into the Lisbon strategy and are the collective responsibility of public authorities, companies and social partners.

The Commission communication ‘Restructuring and Employment-Anticipating and accompanying restructuring in order to develop employment: the role of the European Union’ COM(2005) 120 final, stresses the importance of change management and anticipation to the benefit of all.

The presentations at the Forum placed anticipation in the context of forecast studies, highlighting its dual nature as both a decision-making process and a precondition for positive management of restructuring.

- Anticipation: an approach linked to forecasts. Effective anticipation requires materials to work on: these are provided by forecasting, which can be defined as a method for reflecting on the future. It is an exercise in exploration of the realm of the possible based on data analysis, the observation of ‘weak signals’, understanding of the dynamics of the determinants of change and, generally, development of medium- and long-term scenarios.
- Anticipation: a step towards a decision. Anticipation relies on forecasts but it has two major characteristics: it is short-term in nature and feeds into the decision-making process. To anticipate is not only to identify tendencies, and possible futures, but more specifically to make choices and to begin to implement them, in order to prepare and bring about this future. Anticipation is about drawing up effective plans or projects. Several examples were presented during the Forum.

Started in 2005 by 14 European countries and controlled by CEDEFOP, the Skillsnet *network*¹³⁷ was launched to fill the gap in information on the future skills needs of Europe up to 2015. It observes and compares the methodologies used in various countries to identify current skills developments and future needs at European level. The project recently launched an innovative initiative aiming to add a ‘focus group’ sample of companies to the existing technical tools, as a way to identify skills needs.

¹³⁷ http://www.trainingvillage.gr/etv/projects_networks/skillsnet/.

More ambitiously, the project *'Innovation, skills & jobs'* aims to develop a European foresight methodology to identify emergent jobs and their skills needs, combining two principal fields:

- Setting the general employment trends in Europe in the context of worldwide employment trends;
- Exploring and concentrating on new activities or emerging activities thanks to a combination of innovation and skills development. The project proposes to use Community statistics, forecasts produced by econometric models, scenarios constructed by panels of experts and comparison of the various existing initiatives (such as Skillsnet).
- Anticipation: a precondition for positive management of restructuring. Anticipation plays a major role in the management of the restructuring processes, since there are:
 - Actors endowed with their own capacity to anticipate;
 - Places and procedures which enable the various actors to share their anticipations and the associated decisions, even if these are potentially in conflict;
 - A number of mechanisms, which make it possible to equip the stakeholders, in good time, with the resources needed to prevent the restructuring issue turning into a crisis.

In other words, the anticipation of restructuring attempts to look at restructuring issues as a permanent phenomenon, requiring procedures to be devised, along with tools, mechanisms, and know-how, to allow their management.

This restructuring forum brought together around 150 high-level representatives from European Union institutions, governments, cross-industry and sectoral social partners, academic experts, promoters of good practices, business support providers such as chambers of commerce and industry, regional development agencies, all of whom addressed experiences, good practice frameworks and information in the following fields of action:

- Forecasting and foresight of sector development
- Scenario-building for the identification of future job profiles and skills needs
- National approaches to anticipation
- Anticipation of change at the enterprise level.

Outcomes

At the end of this forum, four conclusions can be drawn:

- The forecast studies and anticipation attract some criticism, pointing to the low reliability of estimates from 2007 in determining employment and training needs for 2012 or 2017. But the fundamental usefulness of the forecast studies, and anticipation, is less in the result than in the process, which makes it possible to think about the future and to do so jointly. Without ignoring the major technical difficulties of the forecasting and anticipatory exercises, it is fair to say that the process of sharing and discussing the hypotheses, the modelling choices, the results obtained, and the divergences between forecasts and achievements is more important. One must have dialogue to begin to anticipate, and then be able to turn this social dialogue towards anticipation; and the best time to do so is at the earliest stage.
- It is precisely this method that underpins the renewal and the adoption of a modern European industrial policy. Next it may have to solve the problems related to:

- The variety of sectoral characteristics. So it is important to track the impacts that the same elements (forward studies up to 2020, European technological platform, ideas on the financing of the sector, existence of an active European social dialogue committee) will produce in a sector made up of small enterprises like the textiles sector¹³⁸.
- The specific characteristics of European social dialogue and the ongoing process of designing the tools for effective transnational collective bargaining.
- The wide diversity of approaches and experiences makes it possible to compare more or less different methods and to benefit from cross-fertilisation, as long as discussions can take place over a period and according to a method which allows for reciprocal learning. National, regional and company practices have grown up in different institutional and legal contexts. So it is not always possible to transfer a ‘recipe’ from one country to another, and moreover a ‘recipe’ as such does not actually exist. However, it is possible to reflect on and learn from a practice undertaken in one context and apply it to another if its effects were judged desirable and if one or more project sponsors participate in an experiment in the host country.
- The prospect is remote of a complete mechanism for anticipating restructuring, making it possible to detect all the major risks to come, to cope with unforeseen events, and to do so in such a way that enables the consequences to be managed in a coordinated way. Actors learn by both experience itself and by the sharing of experiences. Their capacity to act effectively in restructuring situations depends on the degree of collective capitalisation, beyond borders, beyond the experiments carried out, beyond success or failure.

Forum Follow-up: Setting up of an exchange network on anticipation in the form of a website called ‘Anticipedia’. Anticipedia will create an online resource centre on change anticipation and restructuring and allow for an exchange of information on the various practices around anticipation of restructuring.

This tool will have the attributes of a ‘wiki’ in the sense that the information available on the site will be supplied not only by the Commission but more importantly by any economic actors involved in one way or another in restructuring processes and willing to share their good practices on anticipation of restructuring in the form of concrete case studies, innovative and successful solutions, etc which could inspire others facing similar experiences of restructuring in their region, sector or enterprise.

The site will also have forums where the various actors can express and exchange their points of view, experiences and comments on topics linked to the anticipation of restructuring. A peer-review system will be used to rate the documents posted on the site.

2.5. 5th Forum: The challenges of the automotive industry, towards a European partnership for the anticipation of change — 17–18 October 2007

Held in Brussels on 25 and 26 June 2007, this session of the Forum took place in a year when change in the automotive industry was at the top of the industry agenda, following high-profile restructuring cases (Volkswagen-Vorst, Delphi-Cadiz, General Motors-Azambuja, Opel-Antwerp, etc.) closely monitored by the Taskforce, the European Parliament, the press and the public at large. The whole meeting took the form of a plenary session bringing together 200 high-level representatives from the European Union institutions, companies, social partners, central governments and regional authorities.

¹³⁸ ‘European Technology Platform for the future of textiles and clothing. A vision for 2020’. Euratex; ‘An attempt at a vision for 2020’ in: European textiles and clothing in a quota free environment — High level group follow-up report and recommendations .

SPEECH HIGHLIGHTS

Mr Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities

Carrying out an assessment is one thing. Taking the issues in hand and managing these challenges is another. The Commission chose to take this second route, with a proposal which is open to all (partnership for the anticipation of the change in the motor industry) (...) I can assure you that the Commission believes in the future of the European motor industry. It is and will remain one of our industrial jewels and one of the pillars of our economy. Our aim is to strengthen this pillar by taking full account of the social dimension, which passes in particular through the adaptation, innovation and investment in the human resources — our principal wealth.

Mr Günter Verheugen, Vice-President of the Commission in charge of Enterprise and Industry

The final goal of our efforts is not about industry as such. It is to secure safe and rewarding jobs in Europe! (...) The Commission's position is that we should create framework conditions which avoid the need for restructuring insofar as possible by making Europe an attractive and profitable location in which to produce cars. Where restructuring is unavoidable, we expect any transition to be managed in a socially responsible way by the automotive companies involved and in close cooperation with the workers' representatives. The Commission has a legal framework in place for such consultations and it has to be respected. In a way our policy can be summed up in very simple terms: avoid negative effects where possible and ensure that workers and families who are affected are given transitional security and provided with help in finding employment. I hope that all stakeholders will contribute to these aims.

Mr Christian Streiff, CEO, PSA Peugeot Citroën, President of ACEA

The whole European automotive industry supports the 'Partnership for the Anticipation of Change in the Automotive Industry'. (...) The European Union has set itself ambitious goals regarding the protection of the environment and economic growth. It is time to really coordinate the policies and to align these equally important priorities. Our industry plays a vital role in Europe. We are fully engaged in achieving further progress in terms of economic growth, environmental performance, road safety, social dialogue and sustainable development. But we need as well: better regulation with fully transparent and proper impact assessments; an integrated approach in reducing CO2 and to road safety; realistic lead-time and affordable solutions.

Mr Jürgen Peters, Chairman, IG Metall

We need an integrated approach that puts the complex interrelations and interactions of environmental, transport, industrial and employment policies into one strategic perspective. (...) I am well aware of the fact that a new approach in the direction of sustainable development needs to overcome many restrictions, resistances and blockades — for instance in the area of corporate strategies as they are today. We must overcome a one-sided orientation toward cost cuts, short-term planning horizons and an exclusive focus on core activities. But the public authorities must also act in a proactive manner, redefining the further development of traffic and transport systems with a view to achieving sustainable mobility. We see the need for a wide-ranging social dialogue at a European level between governments, business and trade unions.

The Restructuring Forum was a starting point assembling all relevant actors to review the events in the automotive sector, to permit open dialogue between the various parties and to help them to adapt to the change. One of the main objectives of the event, which was entirely fulfilled, was to promote a 'European Partnership for the anticipation of change in the automotive industry'¹³⁹ describing the roles and responsibilities of each actor (European Union, governments, companies, trade unions and regions)¹⁴⁰.

Outcomes¹⁴¹

The European automotive industry is very important for production, employment, exports and R&D in Europe. Over the last ten years, there have been important changes. The most important has been the process of outsourcing, which has created a segregated supply chain, including equipment suppliers and vehicle manufacturers. The situations in these two sub-sectors are quite different: Vehicle manufacturers are today in a relatively comfortable

¹³⁹ http://ec.europa.eu/employment_social/restructuring/docs/partnership_en.pdf.

¹⁴⁰ See section 3.1 of this chapter for more details on this European partnership

¹⁴¹ By Professor Daniel Traça, General Rapporteur, Solvay Business School/Université Libre de Bruxelles.

position in terms of competitiveness and profitability. This is the result of efforts made by the industry, companies and workers included, which have included an increase in the R&D and marketing effort, the offshoring of some low-skill-intensive activities to countries with lower labour costs, and greater flexibility of some of the labour arrangements emerging from social dialogue. For equipment suppliers, the situation is more difficult given the fragmentation in the industry. This fragmentation puts the sector in a weak negotiating position. The solution will entail more consolidation and more offshoring, both of which are currently taking place.

There are four main challenges ahead:

- The rise in international competition, there has been huge international competition, from more and more competitive producing countries (e.g. China); there are some unfavourable changes in international trade laws: WTO and bilateral agreements may close export markets, if they exclude the EU, and open local markets, if they include it. Euro appreciation is adding to the competitive pressure.
- Demand is changing. Most growth will come from countries on the periphery. So the growth is going to come from these markets and whatever we do to be competitive we have to be able to penetrate them. Markets in Europe, particularly in the EU-15, have been flat for over 15 years.
- The rise in regulatory pressure, due to societal (urban sprawl, road safety) and environmental demands.
- The need for skills to replace the ageing labour force. The share of skilled manual workers fell from 62% to 55% in the last ten years. The proportion of engineers was up from 13% to 19%. The proportion of the labour force over 50 years old has increased from 18% to 21% in the same period. The capacity of national economies to produce skills will be a key factor of competitiveness. Continued commitment to a vocational training platform that develops skills internally must be part of the solution.

2.6. 6th Forum: Adaptation of SMEs to change — 26–27 November 2007

Held in Brussels 26 and 27 November 2007, this session of the Forum was dedicated to a highly difficult subject. Restructuring presents a very specific challenge for SMEs and for Member States and the Commission when they design policies to help anticipate and manage change. Paradoxically, SMEs' restructurings are less visible (they are often referred to as 'silent restructuring') even though the EU's 23 million SMEs are a major component of the European economy (see Chapter 3, Section 4).

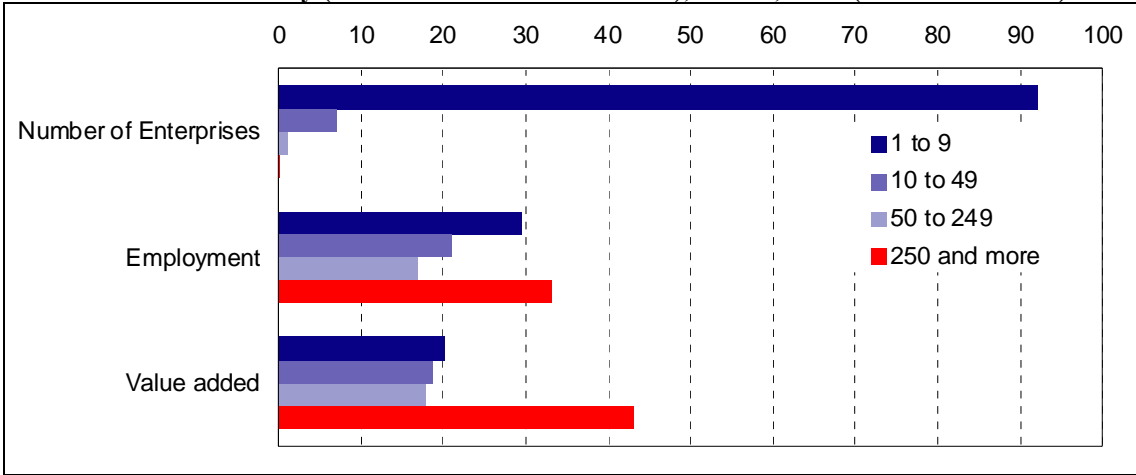
On the basis of a background document¹⁴², the forum addressed questions that are rarely raised from the point of view of the entrepreneurs as well as that of the employees. The Forum highlighted the specific challenges that restructuring can pose for SMEs and created a platform for the exchange and discussion of best practices on how to adapt to change.

Objectives

The EU's 23 million SMEs are a major component of the European economy. Accounting for 75 million jobs, they constitute 99% of all businesses (see Figure 1).

¹⁴² Structural change, company restructuring and anticipation of change in the European small and medium-sized enterprises sector, edited and prepared by Eckhard Voss, Hamburg/Brussels, November 2007
http://ec.europa.eu/employment_social/restructuring/docs/sme_background_report_finale_en.pdf

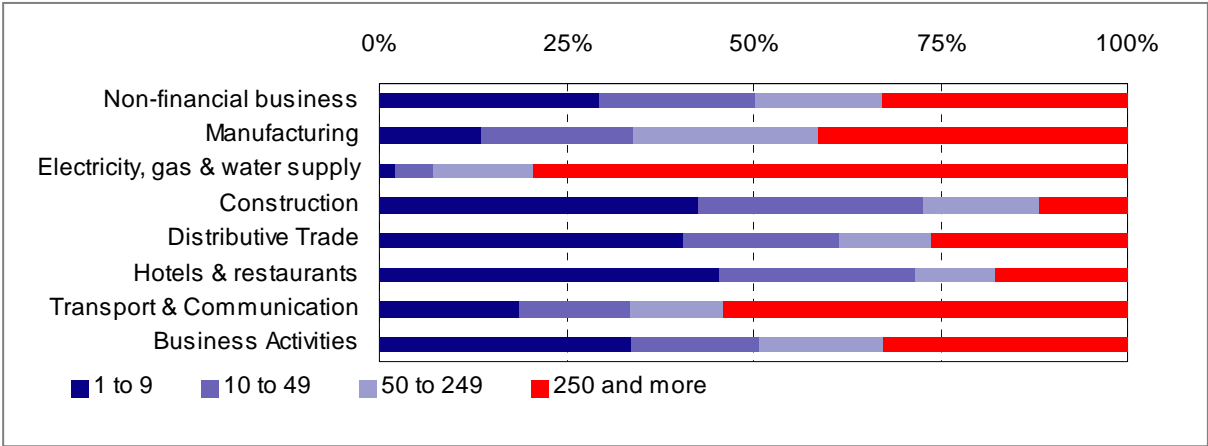
Figure 1: Distribution of companies, employees and added value by company size in the non-financial market economy (Sections NACE C to I and K), EU-27, 2004 (in % of the total)



Source: Eurostat

The role of SMEs is not consistent across all economic activities (see Figure 2). The share of SMEs varies between 18.7% in the energy and water sectors to more than 80% in sectors such as construction and hotels and restaurants. Distributive trade and business activities are sectors where almost three quarters of the total employees work in SMEs.

Figure 2: Role of the SMEs by sector of activity (NACE Sections C to I and K), EU-27, 2004 (in % of total employment)



Source: Eurostat

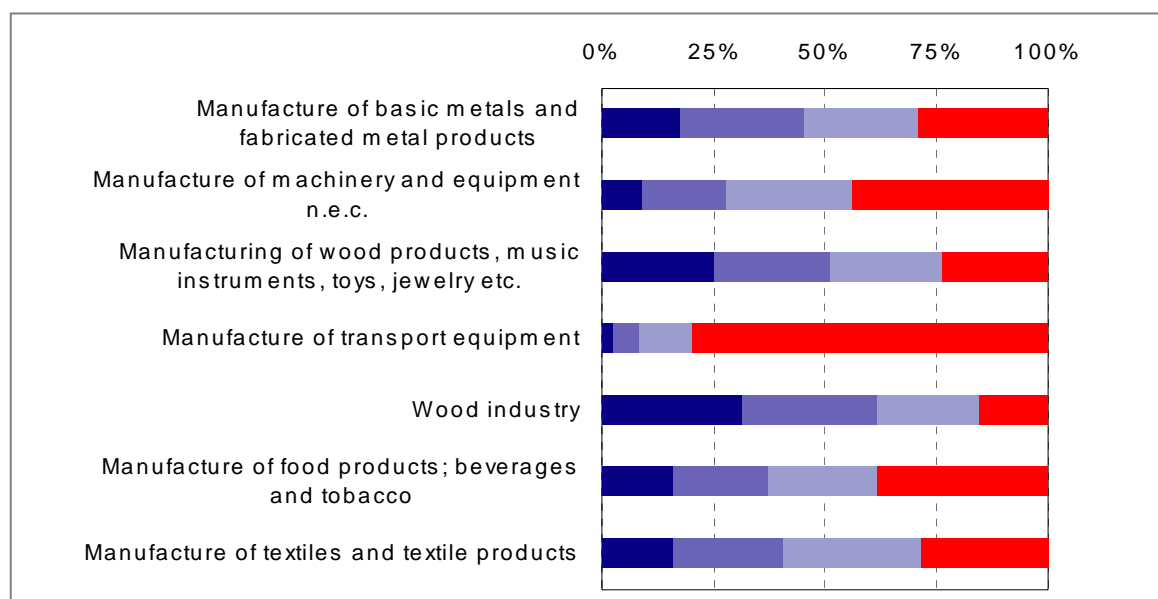
There are also different group sizes of SMEs within the major industrial sectors. For example, almost three quarters of the European labour force in construction work for companies of less than 50 employees, and approximately 45% of all employees in the hotels and restaurants sector are in micro-enterprises. In the manufacturing and electricity, gas and water supply sectors, the majority of the labour force of the SMEs is in medium-sized companies.

A more detailed study of the industrial sectors shows that in the subsectors where labour force needs are high, the micro-, small and medium-sized enterprises play a truly crucial role (see Figure 3).

The influence of SMEs in sectors such as the mining industry, transport facilities, communication and media is quite low. A sector such as forestry development is largely dominated by SMEs, as well as sectors for the manufacture of wooden products, toys,

jewellery, etc; base metals and fabricated metal products; food industry; and textiles and clothing.

Figure 3: Role of the SMEs in the single industrial sectors (NACE sections DA, DB, DD, DJ, DK, DM, DN), EU-27, 2004 (in% of total employment)



Source: Eurostat

Although their base is local or regional, SMEs, just like large companies, must adapt to factors such as increasing international competition, movements of capital and its globalisation, and the speed of technological change. The rapid cyclical shifts which characterise modern economies and the changes affecting them have not been sufficiently analysed.

For SME development and structural change, driving forces like globalisation, increasing pressure for skills, development and training, privatisation and liberalisation of markets and public sector restructuring, and the challenges due to demographic change are crucial. However, in dealing with these transformations, SMEs do not have the same support structures, in terms of either financial or human resources, as large companies. What is more, the changes affecting them are largely unknown. Lack of awareness can be seen as the corollary to the media coverage given to major restructurings in high-profile companies. 'Restructuring' can take many forms and is used to designate a broad range of situations. The most obvious situations of restructuring are of course the creation of new companies, closures and transfers of property. The table below tries to give an image of the importance of the various situations and forms of restructuring for the three groups of SME by comparison with large companies.

Table 1: Relevance of the various restructuring situations by group of company size

| Restructuring situations | Relevance for | | | |
|--|---------------|-------|-------|---------|
| | Large | Micro | Small | Average |
| | Companies | | | |
| Launching of a company, closure, change of property | | | | |
| • Establishment of a new company | Weak | High | High | Weak |

| | | | | |
|--|------|------|------|------|
| • Closure of companies | Weak | High | High | Weak |
| • Mergers and acquisitions | High | Weak | Weak | High |
| • Transfers of property of a company | Weak | High | High | High |
| Internal reorganisation, adaptation of the base competences and training | | | | |
| • Introduction of new schedules and payment systems | High | Weak | Weak | High |
| • Increase in the flexibility of the labour force (part-time work, temporary contracts, temporary work) | High | High | High | High |
| • Reorganisation projects, for example merger | High | Weak | Weak | High |
| • Reorganisation of company procedures | High | Weak | Weak | High |
| • New forms of organisation of work, for example work in group or in team | High | Weak | High | High |
| • Internal projects aiming at the development of competences, continuing training, upgrading of qualifications, etc. | High | Weak | Weak | High |
| • Measures to adapt to technological progress, implementation of new technologies | High | Weak | Weak | High |
| • Introduction of new HR tools, management of knowledge, communication projects, etc. | High | Weak | Weak | High |
| • Introduction of new products and production methods | High | Weak | High | High |
| Externalisation, relocation and extraterritorial relocation | | | | |
| • Isolated station or whole company | High | Weak | Weak | High |
| • Relocation projects abroad/outside the territory | High | Weak | Weak | High |
| • Service/activity subcontracting | High | Weak | Weak | Weak |
| Privatisation and restructuring in the public sector | | | | |
| • Privatisation of companies and public services | High | Weak | Weak | Weak |
| • Public-private partnerships | High | Weak | Weak | Weak |
| • Liberalisation of the market in public utility services | High | Weak | Weak | Weak |

Source: Restructuring Forum 'Adaptation of SMEs to change' Background document

During the workshop, three interactive sessions, gave the participants an opportunity to discuss and debate around the Forum's main theme: the role of regions in anticipating and managing change and restructuring:

- ***Opportunities and threats for SMEs in the value chain***

The workshop focused on various aspects of the effects on SMEs of large-scale restructuring as well as the reorganisation of supply chains in the context of technological change and globalisation.

- ***Anticipation and preparation for change in SMEs***

There is a shortage of information on the restructuring process in SMEs. Most SMEs network and these networks are in a continuous process of change. The structures of large firms may be very complicated, but at least they are well known by specialists. Networks of SMEs are more flexible and less transparent. The workshop therefore tried to identify the most important ways in which SMEs are permanently restructuring

- ***Managing change and intelligent restructuring in SMEs***

The workshop discussed the various cases and experiences regarding the management and shaping of restructuring processes in SMEs at sector level, local and regional level and company level.

Outcomes

The Restructuring Forum brought together around 400 high-level representatives from European Union institutions, governments, cross-industry and sectoral social partners, academic experts, promoters of good practices, business support providers such as chambers of commerce and industry, regional development agencies and the European Business and Innovation Centres and they addressed experiences, frameworks of good practice and information in the following fields of action:

- Anticipating and monitoring change in the SME sector;
- Supporting SMEs in preparation for change and managing restructuring;
- Improving the skills base and training and competence development in SMEs;
- Initiatives by large companies to support SMEs and examples of a proactive role for public authorities, professional organisations and social partners.

The main findings derived from the analysis of patterns, trends and framework conditions of restructuring in the context of European SME development and are as follows:

- As already outlined in the Communication from the Commission on a modern SME policy¹⁴³ in 2005, ***there is a need to improve knowledge about and analysis of European SME*** performance in order to anticipate change and be able to take action to reinforce their competitiveness. Therefore a more structured exchange of good practice and gathering of information with regard to innovative approaches at company and sector level, as well as various regional levels, might be very helpful to support a better preparation and management of restructuring processes in the European SME sector.
- ***SME-specific tools and strategies integrated with change management are necessary*** as most of the existing instruments and tools aiming to cushion the social effects of restructuring and redundancy (re-training, job transfer, and employment security) do not cover the SME sector sufficiently. At the same time there is a large variety of local projects and national initiatives, and cases of good practice to target these constraints. So an exchange of practice and innovative concepts for addressing micro, small and medium-sized enterprises are necessary.
- ***Training and competence development is becoming more and more vital for SMEs in all sectors and size-groups.*** Increased competition is creating a growing need to invest more in competence development, skills and general upgrading of qualification standards and innovation capacities.
- ***More attention should be paid to the specific patterns and needs of the medium-sized company sector*** as there are significant differences in restructuring processes and situations between the micro company sector and larger SMEs in terms of capacity and experience of dealing with change and managing restructuring.
- ***SMEs are much more affected by the challenges of demographic change, ageing of the workforce and increasing lack of skilled labour.***
- Globalisation, EU enlargement and opening-up of markets, along with new technologies and an increasing transnational reorganisation of value chains, is

¹⁴³ COM(2005)551 final of 10.11.2005.

resulting in corporate restructuring processes both at company level and in individual sectors. This is not only resulting in an upsurge of restructuring operations such as offshoring, relocation and subcontracting, but also affecting the role of SMEs in value chain networks. ***Therefore the new role of SMEs in value chains and the increased dependency of SMEs have to be addressed better.***

- Those ***SMEs who are actively involved in cooperation and networking are performing better than others*** (with large companies and other SMEs, but also with public institutions, R&D bodies, social partner organisations and professional organisations).
- ***The issue of restructuring in the SME sector in the Central and Eastern European Member States has not been addressed properly yet*** in public debate and social dialogue.
- Many examples of good practice and innovative projects at regional and local level, in individual sectors and in different national frameworks illustrate a ***clear added-value of social dialogue and active employee participation in SME restructuring and adaptation to change***. Good practice can be found in all types of SMEs regardless of size or sector or territory.
- ***Public authorities and professional organisations play a crucial role in the context of supporting SMEs in adaptation to change***, i.e. in fields such as business creation, support for cooperation and networking, delivering resources and support frameworks for competence development, research and development, organisational support etc. In this context it became quite clear that there is a need to better integrate existing programmes and measures addressing different needs/challenges (financial support, start-up, training, export orientation etc.) as well as to better coordinate the activities of public authorities at different regional levels (local, regional, national, European).

There was a broad consensus of participants that the important issues to be addressed include the development of SME-specific training programmes, the re- and upskilling of SME workforces, lifelong training, the recognition of informal skills and competences, skills needs assessments at local, regional and sectoral level, improving training environments and developing adequate financial support programmes and schemes for training activities in SMEs.

Forum Follow-up:

The debates at the forum underlined a need for ***a practical guide for best practices in training and skills adaptation for SME employees and managerial staff.***

This guide will identify and select 50 best practices. It will identify types of solution for the difficulties encountered by SMEs. It will also include aspects relating to methods (condition for success: which type of training, use of technology, pooling of resources, players involved), it will identify the pitfalls to be avoided and it will make a series of recommendations.

The best practices selected will illustrate innovative aspects from the point of view of their contribution to improving training in SMEs, taking account both of the specific difficulties encountered and of demographic problems.

The guide will be distributed widely and can be used by company managers, employees themselves, social partners, regional structures, professional organisations and all training practitioners.

3 – Reinforced sectoral monitoring

3.1. Automotive industry

2007 was a demanding year as regards work on the automotive sector. Following high-profile restructuring events (Volkswagen-Vorst, Delphi-Cadiz, General Motors-Azambuja, Opel-Antwerp, etc.), closely monitored by the Taskforce, the European Parliament, the press and the public at large, a number of follow-up actions were launched:

- The organisation of a Restructuring Forum dedicated to the automotive sector;
- The launching of a ‘European Partnership for the anticipation of change in the automotive sector’;
- A comprehensive study on the foreseeable evolution of the sector and of future skills needs;
- A panel workshop for validation of the results of that study.

The work carried out so far will form the basis for a Work Programme to be developed in 2008 and 2009 by the Commission, the social partners and industry organisations and national and regional authorities. It constitutes an inspiring example of sectoral follow-up as proposed in the Commission’s Communication of 31 March 2005¹⁴⁴, to be replicated in other economic sectors faced with the prospect of massive restructuring.

The automotive sector, an important source of economic prosperity, employment and innovation in the EU, is undergoing a major transformation as a result of market trends, international competition, technological innovation and regulatory changes. This transformation creates new opportunities for Europe’s automotive sector but at the same time represents major challenges for the industry, its employees and the areas in which the sector operates.

European Partnership for the Anticipation of Change in the Automotive Sector

One of the main objectives of the event was to promote a ‘European Partnership for the anticipation of change in the automotive industry’¹⁴⁵. This innovative document endorsed by the Commission and all the sector’s economic and social players (i.e. ACEA, representing all European car manufacturers; CLEPA, representing the supply industry; and EMF, the European Metalworkers Federation) refers to the roles and responsibilities of each actor (European Union, governments, companies, trade unions and regions) and commits the partners to a series of 14 actions in a 2-year period (2008–09) aimed at monitoring the developments in the industry, while the partners will exchange know-how on managing restructuring in a socially responsible way, including by issuing recommendations on socially responsible restructuring. The partnership is open to other partners, especially public authorities (local, regional and national).

European Partnership for the Anticipation of Change in the Automotive Sector — Follow-up actions

1. Analysis tools

The parties will work together to monitor the evolution of the sector on an ongoing basis. A comprehensive study on the evolution of the automotive sector will be presented as a follow-up to the Restructuring Forum of 17 and 18 October 2007 and will be updated on a regular basis. That study will be completed with particular analysis on:

Employment and skills issues

ACTION 1: Employment trends, structure of employment, demographic issues and skills needs

ACTION 2: Good sectoral, regional and company practices for increasing skills levels and the employability of the workforce

¹⁴⁴ COM/2005/0120 final.

¹⁴⁵ http://ec.europa.eu/employment_social/restructuring/docs/partnership_en.pdf.

| | |
|----|---|
| | <p><u>Restructuring processes</u></p> <p>ACTION 3: Good practices for anticipation and good management of change and restructuring at company and regional level.</p> <p>ACTION 4: Analysis of automotive regions</p> <p><u>General issues</u></p> <p>ACTION 5: Mobility, quality of life and societal demands</p> <p>ACTION 6: Impact of regulatory changes</p> <p>ACTION 7: Integration of the supply chain</p> |
| 2. | <p>Cooperation, exchanges and mobilisation of the actors</p> <p>In order to carry on the studies under 1 and to disseminate, discuss and follow up their findings, the parties will organise or encourage:</p> <p>ACTION 8: Dissemination and discussion workshops attended by representatives of Human Resources Management of the sector</p> <p>ACTION 9: Dissemination and discussion workshops attended by representatives of European Works Councils of the automotive sector</p> <p>ACTION 10: Seminars and workshops in automotive regions likely to experience significant change.</p> |
| 3. | <p>Anticipation and adaptation tools</p> <p>ACTION 11: On the basis of the studies and exchanges above, the parties will constitute an informal observatory of the automotive sector focused on:</p> <ul style="list-style-type: none"> • The evolution of industry worldwide and in the EU; • The evolution of employment and skills needs; • The creation of a data base on practices for anticipation and good management of change and restructuring at company, sectoral and regional level, including those focused on increasing skills levels and employability. <p>This observatory will take stock on a regular basis of the whole range of actions carried out and report back to the parties.</p> <p>ACTION 12: They agree to work on collecting and exchanging best practices of socially responsible restructuring in order to be able, at a later stage, to issue recommendations on this subject.</p> |
| 4. | <p>Reinforcing the EU support instruments</p> <p><u>Innovation and R&D</u></p> <p>ACTION 13: The Commission will hold talks with all the stakeholders on the best way to make full use of the existing support instruments, notably the 7th Research Framework Programme.</p> <p><u>Structural Funds and EGF</u></p> <p>ACTION 14: The Commission will hold talks with all the stakeholders, as well as with Member States and relevant regional authorities, on the best way to make full use of the existing support instruments, notably the Structural Funds and the European Globalisation Adjustment Fund.</p> |

3.2. Fostering change and anticipating restructuring in the European defence industry

The defence industry is important for the EU economy for technological and economic policy reasons. It employs around 800 000 people and in recent years has contributed between 2 and 2.5% of EU GDP. Like all other industrial activities, the defence industry is required to deliver increased efficiency in a context where the European defence industry's competitiveness is vital to the credibility of the nascent European Security and Defence Policy.

Like other industries, the defence industry is facing challenge of globalisation and is subject to change. Given increasing budgetary constraints and the rising costs of military equipment, national markets in Europe have often become too small to produce high-quality equipment at affordable prices, in particular for complex equipment which involves high costs for research and development. Restructuring has thus become indispensable for Europe to maintain a viable European defence industrial and technological base and equip its armed forces adequately. This is the reason why the Commission adopted a 'Defence Package' to improve the competitiveness of the European defence industry and to create a genuine European Defence Equipment Market (EDEM). The defence package consists of a Communication on the competitiveness of defence industries and two legislative proposals: a directive on intra-

Community arms transfers, and a directive on the procurement of defence and sensitive security equipment.

Against this background, a study was launched in 2007 (see box) on the anticipation and management of change in the defence industry in Europe to provide the Commission with: an analysis of the economic and social background and foreseeable evolution of the defence industry, within a five-to-seven year timeframe; concrete proposals for the ways in which change and restructuring in this sector can be anticipated and properly managed.

A Steering Committee — composed of Commission services, the European Defence Agency (EDA), AeroSpace and Defence industries association of Europe (ASD), European Metalworkers Federation (EMF), and high-level experts in the field — has been established to follow the work of the study and to set its objectives. The issues addressed were:

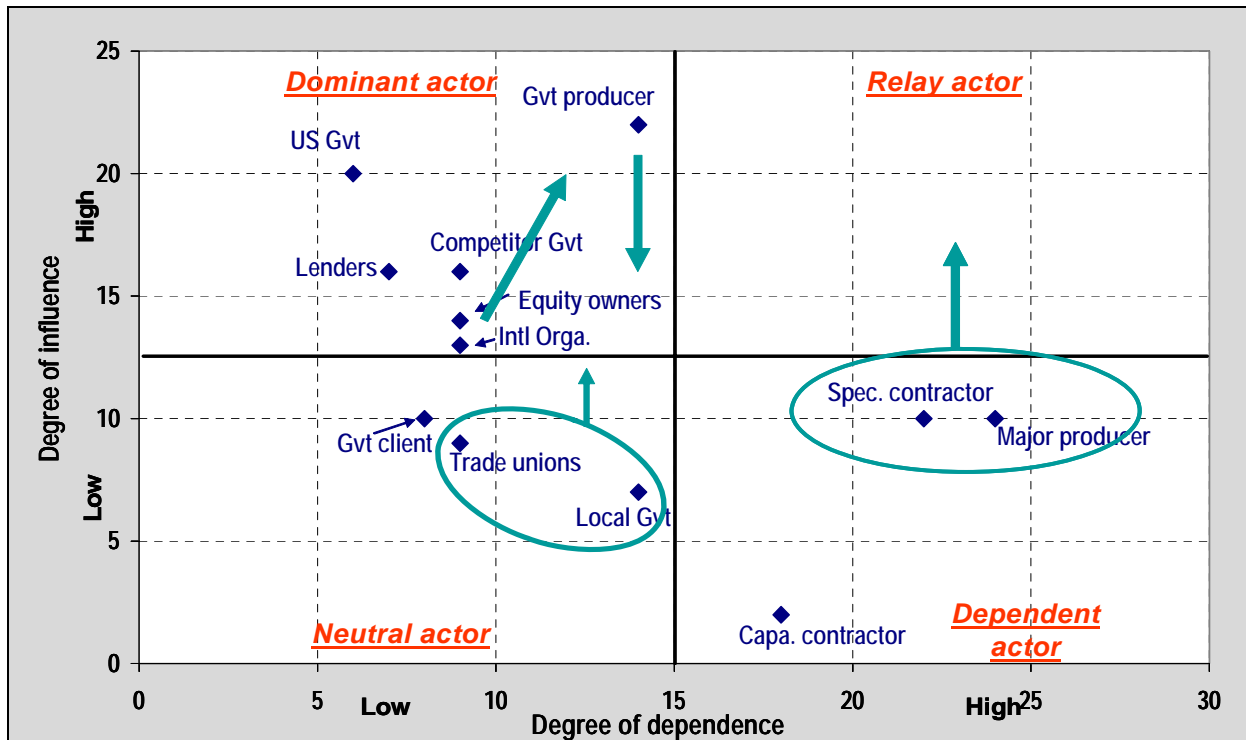
- Strengths, weaknesses, opportunities and threats facing the sector;
- Trends and drivers of change expected to shape the sector's future;
- Possible development scenarios illustrating the sort of strategic decisions that the defence industry has to make and the implications of these in terms of restructuring.

The study results

A team of experts from Germany, the United Kingdom, Sweden, Poland and France worked together. The strategic foresight method adopted to define possible future development scenarios for the EU defence industry was based on a combination of ad hoc research and the experts' views. Results were as follows:

Clearly, in certain countries there are major producers that are more dominant than indicated. Similarly, the influence of 'governments of a primarily producing country' varies depending on the country concerned: the UK government for example has less influence on a primarily private defence industry than the French or Italian governments, whose governments are still the key shareholder of the larger defence firms. Yet the graph provides a good indication of the relative power of the national governments — as regulators, clients and sometimes shareholders — and the relatively little power (at present) of specialised contractors, local governments and even trade unions.

Mapping of influences/dependencies between stakeholders



The chart below illustrates the chosen scenario framework. This reflects different strategies of the key stakeholders, with a particular focus on the internal consistency of the scenarios.

The scenario framework

| | | |
|--|--|--|
| | National procurement continues to dominate | Early shift to European procurement |
| No anticipation of change / real time crisis management | Direct employment effect Indirect employment effect | Direct employment effect Indirect employment effect |
| Anticipation | Direct employment effect Indirect employment effect | Direct employment effect Indirect employment effect |

Four scenarios were envisaged, and their impact on employment quantified. The first two scenarios relate to different trends in procurement strategies and company strategies. In both cases, however, firms are assumed to adjust their human resource policy as changes occur, instead of taking a more voluntary approach to preparing for change. In the other two scenarios, the trend of change in procurement strategies and company strategies is taken to be the same as in the first two scenarios, but it is assumed that the changes have been 'anticipated' and prepared by companies and the other stakeholders (local governments, trade unions, national governments, etc.) in order to minimise their negative social effects.

Sharing information and fostering a multi-actor approach to address coming changes

The preliminary results of this study were presented to an expert group of economic, social and institutional actors at a seminar in Brussels, on 13 and 14 December 2007, i.e. a week after the ‘defence package’ had been launched. On the first day, the 85 participants, divided into three working groups, explored alternative scenarios for the defence industry and illustrated the decisions that need to be made, as well as the impact on employment. On the second day, preliminary recommendations in terms of anticipation methods and activities to facilitate restructuring were looked at, as well as examples of best practices and the most effective instruments.

Given the scale of the changes ahead, and in the light of ongoing work in the defence sector, such as the launch of a study ‘on emerging competences and skills needs for optimal preparation and management of change in the defence industry’, the Steering Committee decided to adopt a post-seminar strategy underpinned by anticipation and follow-up through mobilisation of support instruments and actors. A Forum was organised on 8 and 9 December 2008, for 300 high-level representatives from the European Union institutions, companies, social partners, central governments and regional authorities. One of the objectives of the Forum was to promote a Joint Declaration on a ‘European Partnership for the anticipation and management of change in the defence sector’. That Declaration aims at maintaining and strengthening the competitive position of EU defence companies and encouraging EU defence cooperation.

4 – Initiatives under way

4.1. Comprehensive sectoral analysis of emerging competences and economic activities in the European Union

Within the European Union, national governments each have their own views on how to deal with the restructuring processes. Some Member States have a highly developed anticipative approach with positive results, while others take more a reactive approach, based on policy measures and support instruments that are mobilised only when the crisis takes place. It is the role of the Commission to encourage Member States, regional and local authorities, social partners and companies to develop and apply good practices in the management of restructuring, by suggesting tools and policy options to try to anticipate restructuring and thus limit its negative impact on employment.

One of these tools consists in identifying future skills needs and orientating training and education programs towards those needs. In order to do so, one must be very well informed about the present state of play, which means working at the level of sectors and regions to understand the specificities of each situation. Once this analysis has been done, it is possible to draw up development scenarios for the orientation of future skills needs.

This is the purpose of a project launched at the beginning of 2008 by the Employment DG aimed at developing at European level a capacity to identify future skills needs in a fast-evolving economy. This initiative is also directly in line with the Council resolution on ‘New skills for new jobs’¹⁴⁶ and the conclusions of the 2008 Spring Council¹⁴⁷. In the framework of

¹⁴⁶ Council Resolution of 15 November 2007 in OJ/C 290/1/ 4.12.2007.

¹⁴⁷ Brussels European Council 13/14 March 2008, 7652/08.

the project, sectoral foresight studies are currently being conducted on the basis of a common methodology to allow comparisons across sectors. This European foresight cross-sector methodology includes the following steps:

- Mapping of the sector, including analysis of the main economic and employment trends, and SWOT analysis;
- Identification of the main drivers of change and the main emerging or changing skills and competences in the sector;
- Sketching the main scenarios of plausible evolution and their implications for employment trends over a 7-year time horizon;
- Identification of implications for competences and occupation profiles in terms of jobs expanding, transforming or declining;
- Outlining strategic choices to meet the sector's skills needs;
- identification of specific implications of the skills needs in the sector for education and training;
- Recommendations addressed at the various stakeholders (social partners, public authorities at all levels, training and education institutions).

The following 16 sectors were identified and selected as sensitive to restructuring and skills needs.

| Sectors Covered |
|---|
| Textiles, wearing apparel and leather products |
| Printing and publishing |
| Chemicals, pharmaceuticals, rubber and plastic products |
| Non-metallic materials (glass, cement, ceramic, etc.) |
| Electromechanical engineering |
| Computer, electronic and optical products |
| Building of ships and boats |
| Furniture and others |
| Electricity, gas, water & waste |
| Distribution, trade |
| Hotels, restaurants, catering and related services |
| Transport |
| Post and telecommunications |
| Financial services (bank, insurance and others) |
| Health and social work |
| Other services, maintenance and cleaning |

These studies will not limit themselves to the sector *stricto sensu*, but will take account of the importance of the value chain and outsourced services.

Social partners, other Commission services (Enterprise, Market, Transport and Energy, Education DGs) as well as other European bodies (European Parliament, European Economic and Social Committee, Committee of the Regions, European Monitoring Centre on Change in Dublin, the European Centre for the Development of Vocational Training, Cedefop) are taking part in the sectoral steering groups and/or following the development of the studies bringing their expertise to the contractors.

The studies started in January 2008 and will finish in April 2009. Results of the studies will be submitted to a panel of experts in the sectors and economic areas concerned. The objective

of the expert panels is not only to benefit from the knowledge and experience of key actors in the sectors but also to build a consensus about the findings and to ensure support for recommendations.

The final reports will be disseminated to political authorities at the European, national, regional and local levels, and to social partners, to alert them on the prospects for their sector. A forum will be organised in 2009 to present the results to a wider audience.

This foresight analysis will guide and support national, regional and sectoral activities in education and training. It is however not an end in itself. It has to be seen as the start of a process which ought to take place on a regular basis. This task should be taken over by the key stakeholders of the sector such as companies, social partners, local authorities and observatories and it should also serve as a springboard to stimulate the dialogue, build partnerships and develop joint actions with the common goal of adapting the management of human resources to face future needs.

A transversal analysis of the sectoral studies, to identify connections between sector activities and identify the main horizontal activities, is also planned as a complement to the sectoral studies. The analysis should depict possible transfers of occupations between sectors. This study will be launched in 2009, once the sector studies have been completed.

ENTR DG has also launched a study with the same kind of methodology for the construction sector ‘Future Qualification & Skills Needs in the Construction Sector’.

A pilot study - the automotive industry

In the wake of the Forum, the Commission launched a study aimed at providing an overview of the European automotive industry¹⁴⁸, the possible developments within the automotive industry in Europe, and an assessment of the impact of future developments as regards jobs and skills. The document¹⁴⁹ confirms that while the European automotive industry has major assets which should contribute to ensuring its sustainability and growth, it will face far-reaching changes on volumes and job locations (in the short term) and on skills and competencies (in the long term). Moreover, the authors emphasise that the response of the European automotive industry will depend on its dual capacity to innovate and to expand into international markets; they present two scenarios:

| Summary of the two European scenarios and level of impact | | |
|---|--|---|
| Level of Impact | Scenario 1 ‘Less attractiveness of automotive industry’ | Scenario 2 ‘New cars for safe and sustainable transport’ |
| OEMs (original equipment manufacturers) | Generalist: <ul style="list-style-type: none"> ➤ Massive restructuring ➤ Consolidation, hostile takeover risk Specialist: <ul style="list-style-type: none"> ➤ Continuing in niche segment and export | Generalist: <ul style="list-style-type: none"> ➤ Restructuring through mergers / acquisitions and purchase of new activities ➤ Opportunity for joint ventures with Asian partners ➤ Innovation and cost strategies ➤ New form of cooperative Specialist: <ul style="list-style-type: none"> ➤ Continuing in niche segment and export |

¹⁴⁸ The automotive industry’s NACE code [European activity code] is 34.00 .

¹⁴⁹ ‘Comprehensive analysis of the evolution of the automotive sector in Europe’, Groupe Alpha, Alphametrics, http://ec.europa.eu/employment_social/restructuring/forum_en.htm.

| | | |
|---------------------|---|---|
| Equipment Suppliers | <ul style="list-style-type: none"> ➤ Major restructuring: closure and voluntary liquidation ➤ Consolidation with newcomers from emerging countries ➤ Hostile takeover risk | <ul style="list-style-type: none"> ➤ Regrouping of major system manufacturers through external growth ➤ Creation of hierarchy of value chain — systems, modules, components ➤ Relocation of component manufacturers ➤ Creation of large component suppliers |
| Regional | <ul style="list-style-type: none"> ➤ Major problems for EU-15, incl. Germany (leading producer in EU) ➤ Temporary resistance of NMS | <ul style="list-style-type: none"> ➤ Improvement of transport conditions ➤ Specialisation in Europe around high-innovation car design centres ➤ NMS: leading equipment manufacture area |
| Jobs | <ul style="list-style-type: none"> ➤ Restructuring ➤ Major decline of car industry activities in Europe | <ul style="list-style-type: none"> ➤ Restructuring, but also creation of jobs ➤ Major training needs ➤ Major need for qualified labour in Central and Eastern Europe |

The report also examines the structure of jobs in the automotive industry across the EU, its recent developments and its implications for the future pattern of job profiles and skills needs. According to its findings whatever the future developments in the automotive industry, there will almost certainly be a continuing shift in the structure of employment towards activities requiring higher education and skill levels (engineers, marketing professionals, business professionals and accountants, electrical mechanics and managers). Therefore, it is important that the industry is able to attract suitable recruits which depend on the capacity of the industry to offer the prospect of growth and a high rate of innovation.

Summary of implications for occupations and skills (1/2)

| Occupation | Scenarios Regions | Scenario 1 | | Scenario 2 | |
|---|-------------------|------------|-----|------------|-----|
| | | EU15 | NMS | EU15 | NMS |
| Employment in general | | -- | + | - | ++ |
| Managers | | + | + | + | + |
| Production | | | | + | + |
| Other | | | | + | + |
| Professionals + technicians | | | | + | + |
| Engineers | | + | + | ++ | ++ |
| Computer specialists | | | | + | + |
| Other professionals | | | | + | + |
| Business, finance, sales (marketing) | | + | | + | + |
| Administrative + other | | - | + | | |
| Office workers | | | | | |
| Sales + service workers | | | | | |

+ in Germany

HR Mgmt to organise training of workers

Driver aids and control systems

+direct innov. Process, develop new markets and maintain competitiveness

| Scenarios Region | Scenario 1 | | Scenario 2 | |
|------------------------------|------------|-----|------------|-----|
| | EU-15 | NMS | EU-15 | NMS |
| Skilled manual workers | - | | - | - |
| Metal moulders | -- | | - | - |
| Tool makers | -- | | - | - |
| Mechanics | -- | | - | - |
| Electricians + others | + | | + | + |
| Semi-skilled workers | -- | ++ | - | ++ |
| Machine operators | -- | ++ | - | ++ |
| Drivers | -- | ++ | - | ++ |
| Low skilled workers | -- | ++ | - | ++ |

Produce new equipment, emission control systems,

The findings were presented and discussed on the ‘Skills Experts’ Panel Workshop’ through the prism of employment, skills and competences. This event was organised by the Employment DG and was held on 18 and 19 March 2008, in Brussels. It brought together around 40 experts from companies, research, education, training or consultancy services, and from various services of the Commission and other EU bodies.

The need to reinforce investment on skills in order to guarantee the future competitiveness of the European automotive industry requires a proper identification of future skills needs and a full cooperation between the public sector, the industry and the educational establishments in ensuring that the training being offered is in line with the needs of companies and innovation processes. It also requires an ongoing effort from companies to train and retrain their workers and sectoral initiatives to make sure subcontractors and providers can take the same route to avoiding skills shortages and facilitating employment transitions.

The work carried out so far will be the basis for a Work Programme to be developed in 2008 and 2009 by the Commission, the social partners and industry organisations and national and regional authorities. It constitutes an inspiring example of a sectoral follow-up as proposed in the Commission’s Communication of 31 March 2005¹⁵⁰, which will be replicated in other economic sectors faced with the prospect of massive restructuring.

4.2. Restructuring and health issues

The debate on company restructuring in the EU has focused on how to find ways to cope with the challenges of globalisation. Health considerations have been limited to the need for a ‘healthy organisation’ when faced with global competition. What has been widely neglected is individual employee health, of those forced to leave the company, the ‘victims of layoffs’, and of those who remain in the company, the so-called ‘survivors-of-layoffs’. It is known that, after restructuring, those who leave the company as well as those who remain are liable

¹⁵⁰ COM/2005/0120 final.

to face (sometimes serious) health problems¹⁵¹. What is less well known is the fact that restructuring processes themselves have a negative impact health¹⁵².

Damaging for the individual and creating higher costs for the health system, the health aspects of company restructuring should be considered as central. Health is a crucial part of employment and relevant for the future performance of companies. New social actors have joined the debate, such as the company-based health insurances in Germany who have shown great interest in utilising their specific knowledge of the restructuring process.

The main challenges for the future are likely to be the development of specific help for vulnerable groups (victims and survivors), as well as focused support strategies for managers involved in restructuring decisions. Resources should maintain and strengthen available support systems and reduce the negative stress associated with the restructuring process. A crucial point seems to be the involvement of the employees and unions in the decision process from the beginning.

The Commission has supported an ESF Article 6 project on ‘Monitoring Innovative Enterprise Restructuring in Europe’ (MIRE). MIRE¹⁵³ did not focus on the health dimension of restructuring initially. However, results pointed to the often neglected health aspects of these changes; the project revealed a widespread absence of preventive strategies for dealing with the health aspects of restructuring in Human Resources Management (HRM) and Occupational Health Services (OHS), even though pioneering experiments do exist. An analysis was made of approaches to positively influencing workers health and helping them to adapt to organisational changes. There was one striking result. The full process of restructuring could be managed in a smoother way and the outcomes could be achieved more effectively when the health dimension was considered from the beginning as a relevant issue and was integrated into the social dialogue of the social actors. This changed the notion of restructuring from being an accident and moved it towards a continuous process of organisational adaptation.

The 2007 Progress programme of the Employment DG builds on MIRE results and seeks to gain additional evidence regarding the effects and opportunities to influence the restructuring process in a more balanced way. This could lead to the reduction of the hysteresis effect of unemployment (‘the longer unemployment lasts, the more barriers to re-employment will develop’) and help to overcome barriers to organisational change. It can also contribute to a concept of ‘social convoy’ where partial responsibility for these transitions is linked to Corporate Social Responsibility (CSR), thus facilitating the coping process of the individuals involved. The programme supports four networks, a study and the development of macro level indicators.

Networks

| HIRES: 9 countries involved | | |
|---|---|--|
| Output | Outcomes | Impact |
| Improving the knowledge and understanding of organisational restructuring effects on health and | Increased recognition of the health issue in change management. Influence company behaviour by | Stimulating a culture to address the health issues of restructuring permanently and constructively |

¹⁵¹ See the SOCOSE project: <http://www.ipg.uni-bremen.de/socose/>.

¹⁵² Pioneering studies have been made on this topic in Sweden. See ‘Does job loss shorten life?’

Marcus Eliason and Donald Storrie.

¹⁵³ see <http://www.mire-restructuring.eu/>.

| | | |
|---|---|--|
| well-being of survivors, ‘victims’, and the related community. | providing evidence of the importance of health in regard to economic development. | and hence lessen the health and social burden on the economy. |
| CBI/UKWON: 8 countries involved | | |
| Output | Outcomes | Impact |
| Identify how health contributes to maintaining motivation within a company so they may retain their competitive edge during restructuring. Case studies will be used to provide a story and act as a tool to inspire other organisations | Company behaviour influenced so as to actively target health as an important part of ensuring employees are focused on the organisation’s mission. | Increase in successful outcomes of reorganisations by harnessing employee engagement and maintaining or improving well-being to provide greater contribution to company performance. |
| CGT: 5 countries involved | | |
| Output | Outcomes | Impact |
| Inventory of practices concerning way in which health dimension is taken into account during restructuring in each country. Inventory will serve as the basis for scenarios to be communicated in a comic strip format. | Communication will be targeted at employees with an aim to improve their appreciation (anticipation) of the health dimension and stimulate them to take preventive action (preparation) | Fewer health problems presented during restructuring due to increased awareness of the problem and advice regarding preventive action. |
| FIOH: 6 countries involved | | |
| Output | Outcome | Impact |
| The main aim of the programme is the creation of a European network and learning environment. Other products of the programme will constitute new tools, good practices, and concepts. | Sectors can identify role of well-being at work and appreciate what benefits will be achieved by using a particular method and how to target the method to deliver the benefit. | Marketing of well-being at work. Recognising good practices in well-being at work and how working atmosphere will be developed. Health promotion effects on individual level. |

Study of health issues associated with restructuring

The aim of the study is to explore the relationships between health and restructuring in France, UK, Sweden and Hungary. Evidence based on the holistic health issues in the context of restructuring will be examined. The study will assess the current practices which accompany individuals during restructuring and will identify the good practices mitigating the negative impact of restructuring on human health, as well as methods existing to increase adaptability and reduce stress in workers. Recommendations will be developed to support individuals and advise organisations in the context of radical reorganisation.

Development of macro level indicators of restructuring and workers’ health

Restructuring is usually assumed to represent an intrinsic component of modern economic growth. It is also believed to be a highly beneficial phenomenon, especially in the long term, for the European populations.

Recent scholarly evidence has begun to question restructuring and whether it is a beneficial phenomenon from a health point of view. Developing macro-level measures will assist scientific research and monitoring of industrial change, and will guide economic health policy to protect the health and well-being of working populations. Indicators will be evaluated at regional, national and European level in five domains related to restructuring and its potential health effects: (1) globalisation process, (2) productivity and technological change, (3) overall

health, (4) governmental policy and social support and (5) work stress. The methodology is aimed at determining the availability, validity and reliability of these measures. The indicators will be tested to determine their usefulness for analysis.

Useful macro-level measures will be provided for scientific research purposes as well as for the monitoring of industrial change and economic health policy to protect the health and well-being of working populations.

Tools will be elaborated in order to: (a) assist in the development of European social legislation, (b) reinforce the collection and use of information on national systems, (c) promote understanding of innovative and effective practices of restructuring, and (d) support the preparation of the future report by the Commission on Restructuring in Europe.

4 – Work organisation restructuring in Europe and its impact on employees

"Work organisation and restructuring in a knowledge society" (WORKS) is a research project funded under the Socio-economic Sciences and Humanities Programme, whose primary aim is to investigate work organisation restructuring in globalised value chains, including workplace innovation, use of knowledge and flexibility as well as the impact of this restructuring on time use, skills and the quality of life of individuals. All the outputs and conclusions of the project are available at: www.worksproject.be.

WORKS project

Objectives of the research

An Integrated Project of the 6FP of the European Community on:
work organisation restructuring in globalised value chains;
workplace innovation, use of knowledge and flexibility;
time use, skills and the quality of life of individuals;
the role of institutions and the social dialogue.

Scientific approach / methodology

Innovating theories and concepts on changes in work.
Valorising existing statistics and contributing to their convergence.
Combining organisations, individuals and policy in case studies.
Comparing changes in work from a regional perspective.
Applying gender mainstreaming.

New knowledge and/or European added value

The business function is used as a window to understand the restructuring of value chains across industries and regions.
Fragmentation, standardisation and work intensification are important effects.
The differences in knowledge-intensity, working conditions and power between units in the value chain cause inequalities.

Key messages for policy-makers, businesses, trade unions and civil society actors

National policies related to Health and Safety and Quality of Work should address work intensification and standardisation.
Social partners should improve instruments to regulate and monitor working conditions across industries and borders.
Corporate innovation strategies should be based on an educated workforce, collaborative and learning jobs and security.

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Contributors

ECFIN DG Three units in particular contribute to different aspects of the European response to challenges related to anticipation of change and restructuring:

Unit B3 contribute to the achievement of the EU's economic policy objectives of growth, high employment and economic dynamism by monitoring and evaluating labour market performance and reforms and providing policy advice.

http://ec.europa.eu/economy_finance/analysis_structural_reforms/structural_reforms225_en.htm

Unit B1 defines ECFIN DG's input into the European strategy for growth and jobs ([Lisbon Agenda](#)). It is responsible for assessing the impact of structural reforms on the macroeconomic performance of the euro area and the EU as a whole and contributes to the assessment of the impact of structural reforms on the macroeconomic performance of individual Member States.

http://ec.europa.eu/economy_finance/analysis_structural_reforms/growth_and_jobs249_en.htm

Unit B2 contributes to strengthening the EU's competitiveness and raising its growth potential, notably through the monitoring of structural reforms aimed at creating better-functioning goods and services markets.

http://ec.europa.eu/economy_finance/analysis_structural_reforms/structural_reforms285_en.htm

ENV DG includes two units focusing entirely on climate change. However, the topic involves people across the DG, for example, in the water and biodiversity units plus we have an energy unit. The two 'dedicated' units are:

ENV.C.1 — Climate Strategy, International Negotiation and monitoring of EU action

ENV.C.2 — Market-Based Instruments including Greenhouse Gas Emissions Trading

The website includes all relevant information (past and forward looking), and is

http://ec.europa.eu/environment/climat/home_en.htm

EAC DG

Unit B5 deals with the development of policy in the field of vocational education and training under the umbrella of the 'Copenhagen' process on enhanced European cooperation in Vocational Education and Training. At the same time, the unit is responsible for the management of Leonardo da Vinci programme whose objective is, among others, to support the quality, innovation and attractiveness of vocational education and training systems, as well as to support programme participants in training and further training activities to acquire and use knowledge, skills and qualifications to facilitate personal development, employability and participation in the European labour market.

http://ec.europa.eu/education/lifelong-learning-policy/doc60_en.htm

INFSO DG

The Information Society and Media Directorate General supports the development and use of Information and Communication Technologies (ICTs) for the benefit of all citizens.

http://ec.europa.eu/dgs/information_society/index_en.htm

EMPL DG

Unit A1 (ESF coordination) is responsible for the coordination of the European Social Fund, as well as the monitoring of the national policies of Member States in the framework of the Lisbon strategy's Integrated Guidelines — particularly in the field of employment — and of the social protection and social inclusion process.

For the ESF the Unit provides guidance in the relevant policy areas, including the anticipation and management of economic change and restructuring (see related Fiche on

http://ec.europa.eu/employment_social/esf/docs/economic_change_en.pdf;

short version: http://ec.europa.eu/employment_social/esf/docs/tp_restructuring_en.pdf)

Unit B4 (Equal Community Initiative & EGF) has three main missions:

- Implementing programmes for the ESF (2000–06) Equal Community Initiative. This includes monitoring and evaluating programmes but also coordinating many activities at EU level, such as thematic networks to facilitate the exchange of best practice and to encourage mainstreaming;
- Supporting and coordinating transnational projects and networks in the framework of the 2007–13 ESF programmes;
- Implementing the European Globalisation adjustment Fund (EGF).

http://ec.europa.eu/employment_social/egf/index_en.html

Unit C4 (Art 6 ESF and Readaptation, CELFI and ESF Archives)

http://ec.europa.eu/employment_social/esf/fields/innovative_en.htm

Unit D1 (Employment Analysis) carries out the analyses required to increase the knowledge base for the development of the EES in the European Union and deals with the employment aspects of the enlargement process. The annual 'Employment in Europe' report is the main tool of our DG for the analysis of employment performance and labour market developments in the Union in the international context.

http://ec.europa.eu/employment_social/employment_analysis/index_en.htm

Unit D2 (European Employment Strategy, CSR, Local Development) manages especially questions concerning flexicurity and the European Employment Strategy.

http://ec.europa.eu/employment_social/employment_strategy/index_en.htm

Unit E1 (Social and Demographic Analysis) monitors the social and demographic situation of the European Union and seeks to identify challenges and potentials that are relevant for policy makers, including those of the knowledge society. To that end, the unit collects information notably through ad hoc studies and surveys on specific social and demographic issues, a European Observatory on the Social Situation and Demography and grant support for scientific networking. The unit presents the main trends in regular reports on the social situation and on demography which highlight the policy implications of these trends.

http://ec.europa.eu/employment_social/spsi/demo_and_social_situation_en.htm

Unit F1 (Social Dialogue, Industrial Relations) has the missions: To develop a participatory and open approach to European social and employment policy through the active involvement of social partners at all levels.

- To promote inter-professional and sectoral social dialogue in both consultation and negotiation dimensions.
- To monitor the implementation of social dialogue agreements at national level.
- To stimulate the debate on industrial relations and promote the contribution of the social partners to modernising the employment market and implementing the Lisbon strategy.
- To manage the European Commission's relations with the European Foundation for Living and Working Conditions.

http://ec.europa.eu/employment_social/social_dialogue/index_en.htm

Unit F2 (Labour Law) has the mission to define and implement actions for the improvement of working conditions and the exercise of the right to information and consultation at national and transnational level, pursuant to Article 137 of the Treaty. The main objectives of the Unit are:

- To ensure correct transposition and implementation by the Member States of Community labour law, in particular in the areas of working conditions and information and consultation of workers.
- To evaluate and review the application of Community labour law, and to develop proposals for the adaptation of legislation, also taking into account the evolution of jurisprudence.

http://ec.europa.eu/employment_social/labour_law/directives_en.htm

Unit F3 (Working conditions and adaptation to change) has the mission: To monitor the developments regarding the evolution of industrial change and financial participation schemes in cooperation with the European Foundation in Dublin, other Commission departments and networks and research activities, for example by organising studies and identifying good practices; to coordinate DG EMPL's policies on adaptation to change and anticipation and management of corporate restructuring and to cooperate with all relevant Commission services developing policies in these fields with the aim of reinforcing the coherence of EU policies, for example, by leading the 'Restructuring' Taskforce; and to develop amongst all stakeholders a positive and proactive attitude towards the anticipation of change and restructuring and promote the development of financial participation schemes through awareness raising and exchange of information and best practices, for example, by organising the Restructuring Forum.

http://ec.europa.eu/employment_social/restructuring/index_en.htm

Unit I4 (Evaluation and impact assessment)

http://ec.europa.eu/employment_social/evaluation/index_en.html

ENTR DG

Unit B2 (industrial policy) contributes to the development of the European Industrial Policy. This policy is based on an integrated approach that comprises a number of horizontal and sectoral initiatives that aim in a non-interventionist way at improving the framework conditions for industrial competitiveness in Europe and increasing the capacity of the economy to adjust to structural change.

Unit B3 (Lisbon strategy coordination & economic reforms) promotes the growth and jobs agenda in the EU and its Member States by coordinating the Commission's work on the assessment of microeconomic reforms in and providing policy recommendations to the EU Member States and actively contributing to the overall design of and priorities for the growth and jobs strategy and related policy proposals of the Commission.

http://ec.europa.eu/enterprise/enterprise_policy/industry/index_fr.htm

Unit E4 (SME POLICY DEVELOPMENT) the main mission of the unit is to ensure the horizontal coordination of the policies and activities having an impact on SMEs. Coordination takes place within Enterprise and Industry DG, in relation with other EC services and with Member States. The unit also provides support to the SME Envoy.

http://ec.europa.eu/enterprise/sme/index_fr.htm

COMP DG

The mission of the Directorate General for Competition is to enforce the competition rules of the Community Treaties, in order to ensure that competition in the EU market is not distorted and that markets operate as efficiently as possible, thereby contributing to the welfare of consumers and to the competitiveness of the European economy.

http://ec.europa.eu/comm/competition/index_en.html

REGIO DG

Unit D2 its mission is to develop ways of providing support for the other units of the Directorate-General on thematic issues (equality, environment, energy, transport, development, etc.) and on innovation, as well as to carry out actions under the innovative actions programme 2000–06.

http://ec.europa.eu/regional_policy/index_fr.htm

RTD DG

The Directorate General's mission is: to develop the European Union's policy in the field of research and technological development and thereby contribute to the international competitiveness of European industry; to coordinate European research activities with those carried out at the level of the Member States; to support the Union's policies in other fields such as environment, health, energy, regional development etc; to promote a better understanding of the role of science in modern societies and stimulate a public debate about research-related issues at European level.

http://ec.europa.eu/dgs/research/index_en.html

ELARG DG

http://ec.europa.eu/enlargement/the-policy/index_en.htm

AIDCO DG

http://ec.europa.eu/europeaid/index_fr.htm

MARKT DG

Its main role is to coordinate the Commission's policy on the European Single Market and to seek the removal of unjustified obstacles to trade, in particular in the field of services and financial markets.

http://ec.europa.eu/dgs/internal_market/index_en.htm

AGRI DG

The mission of the Directorate-General for Agriculture and Rural Development is to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas.

http://ec.europa.eu/dgs/agriculture/index_en.htm

EMCC

The European Monitoring Centre on Change (EMCC) is an information resource established to promote an understanding of how to anticipate and manage change. It was set up in 2001 within the European Foundation for the Improvement of Living and Working Conditions, Dublin, with the full support of the European Parliament, the Commission and the social partners.

<http://www.eurofound.europa.eu/emcc/about.htm>

CEDEFOP

European Centre for the Development of Vocational Training (Cedefop) is the EU's agency for vocational education and training (VET). Its mission is to help develop European VET policy by carrying out thorough applied research and comparative analyses of VET issues, trends and challenges; providing an expert and independent European perspective, developing and encouraging European approaches, principles and tools to improve VET and achieve common aims; being a unique forum bringing together diverse VET interests of policy-makers, social partners, researchers and practitioners to encourage mutual learning and debate proposals for policy and research; raising awareness and understanding of how VET is evolving, its role in lifelong learning and its contribution to other policies.

<http://www.cedefop.europa.eu/>

CCMI (EESC) (The European Economic and Social Committee's Consultative Commission on Industrial Change) continues to cover those areas of the coal and steel industries and their production and consumption

chains in which the Community is active; has been progressively extended to the handling of industrial change in other sectors of activity and its repercussions on employment, social and structural policy measures, aid and competition policy, research and technological development, environmental and sustainable development policy, energy policy, trade policy; and includes a particular emphasis on the challenges posed by industrial change in the new Member States.

http://www.eesc.europa.eu/sections/ccmi/index_en.asp

CoR (The Committee of the Regions) is the political assembly that provides local and regional authorities with a voice at the heart of the European Union.

<http://www.cor.europa.eu/pages/HomeTemplate.aspx>