

## RESTRUCTURING: CURSE OR REMEDY?

### RESTRUCTURING – WHAT IS IT?

*Restructuring can often be seen as an essentially negative phenomenon. However, it is becoming increasingly clear that transformations in the economic, social and cultural fabrics of Western societies is a topic of undeniable importance within the context of globalisation. The opening-up of economies to international competition, technological innovation, major shifts in consumer demand due to, amongst other things, the new needs of an ageing population, greater sensitivity to environmental issues, and changes to the demography of world are just some of the issues that are providing impetus for restructuring measures. Across a range of policy fields and as evidenced by the renewed Lisbon Strategy, the European Union (EU) is already recognising and working to address the restructuring challenges of a globalised market place. The experience of the EQUAL Initiative provides some valuable answers and insights into these very challenges. In particular, EQUAL's focus on the employability and adaptability of today's European labour market, combined with its scope for experimentation and collaboration, means that it is an ideal testing ground for innovation and good practice in the area of restructuring.*

One single, all-encompassing definition of restructuring is hard, if not impossible to present. The term has a range of interpretations and nuances depending on the context and scope of analysis. Three common contexts for references to restructuring are: (1) restructuring of the economies of the Central and Eastern European Countries (CEEC), which encompasses issues of privatisation, structural and management change, and re-orientation from centralised to free-market based economies; (2) restructuring due to the predominantly Western shift from industrial to service-oriented societies, entailing potential "side-effects" such as declining industrial regions, unemployment, growing criminality, and social disparity; and (3) restructuring of an enterprise to either preserve or boost its competitiveness via changes in its structure, improvement of its management and employee skills, as well as modifications in its working and communication methods. These three dimensions are irrevocably linked as the restructuring efforts in one will certainly bring along change in the others.

The projects – or Development Partnerships (DPs) as they are known – funded under EQUAL are dealing with restructuring in all of the above-mentioned contexts. They are offering innovative, good practice examples of how to anticipate and respond to restructuring demands on the industry, enterprise and individual level. This article gives an initial overview of where the synergy between EQUAL practice on the ground and restructuring as an issue exists. As such, it gives a 'taster' of what EQUAL has to offer to organisations and individuals working in the field of restructuring, and as such paves the way for exchanges of information and collaboration between these two spheres of activity in the future.

### PUTTING RESTRUCTURING HIGH ON THE EUROPEAN UNION AGENDA

Restructuring is becoming a widely used and important term in European circles and this is not without reason. EU Member States – both new and old – are under increasing and fast-moving pressure to anticipate and respond to globalisation, external competition, the emergence of Information and Communication Technologies (ICTs), unemployment, an aging population, delocalisation, as well as changes arising from the further development of the European single market. Against this backdrop, restructuring can be viewed as one of the many ways of dealing with these pressures, as well as one of the consequences.

The European Commission (EC) has shown its interest in, and recognised the impact and value of restructuring through a range of developments, including the establishment of a "Restructuring

Forum” and a push for closer monitoring of restructuring by the European Restructuring Monitor<sup>1</sup>. A key document that underpins these developments and sets out the EU’s position on restructuring is its Communication “*Restructuring and Employment*” published in March 2005.<sup>2</sup>

The Communication presents restructuring as being at the heart of the relaunched Lisbon Strategy, calling on the EU and Member States to tackle the negative consequences of restructuring by active labour market policies, lifelong learning and the anticipation of change in industrial sectors. To achieve this, it emphasises the importance of mobilising all national and Community resources, and enhancing partnership between the EU and Member States, as well as the social partners and civil society, all with the view to ensuring that the negative effects of restructuring on employment and working conditions are as short-lived and limited as possible.

Another key message of the Communication is not only the need for good, proactive restructuring practice but also active transformation processes in the Member States; it argues that delaying change by freezing economic structures will only serve to aggravate the problems of competitiveness in the future. It also points out that restructuring is nothing new; while previously restructuring efforts were mostly focused on industries and whole regions, it is now the enterprise that has become the primary focus of reorganisation.

This shift is also clearly visible in the thematic focus of EQUAL DPs focusing during Round 1 predominantly (but not exclusively) on restructuring at the industrial level, and in Round 2 on restructuring from the business perspective, particularly that of small and medium-sized enterprises (SMEs). Similarly most of the priorities identified by the Communication in the context of restructuring are already addressed by the EQUAL partnerships, such as for example, improving the conditions of disadvantaged and discriminated groups, working to raise the qualifications of low-skilled workers, training and counselling to promote flexibility, adaptability, and match the growing education requirements.

## **RESTRUCTURING: WHAT EXACTLY DOES EQUAL HAVE TO OFFER?**

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From a thematic point of view, there is clearly close synergy between EQUAL as a programme and restructuring as an issue, but is there really sufficient experience to draw upon from the EQUAL DPs themselves? Based on an initial DP analysis across both Rounds, the answer to this is very much Yes.

All together 926 EQUAL DPs refer to ‘anticipating technical changes’ as an aspect of restructuring in their work programmes; this represents around 40% of the 1,523 DPs in Round 1 and over 26% of the 2,089 partnerships in Round 2. Across both Rounds, 112 DPs have a *specific* and *explicit* focus on restructuring activities, 168 focus on modernisation, and 150<sup>3</sup> on other similar themes such as change management, reorganisation and structural change. Whilst there is some degree of overlap between the DPs cited in these figures, there is nevertheless a significant number of DPs that are addressing aspects of restructuring. Moreover, as would be expected, there is a noticeable concentration of these DPs funded under the Adaptability pillar of EQUAL, which sub-divides into the themes of Lifelong Learning, and Adaptation to Change and New ICTs.

This cohort of DPs provides a rich source of information and good practice in the area of restructuring. For this reason, it is worth exploring the key messages emerging from their work so far. These messages have primarily emerged from the experiences of Round 1 DPs. However,

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<sup>1</sup> The European Monitoring Centre on Change (EMCC) and the European Restructuring Monitor (ERM) are projects of the European Foundation for the Improvement of Living and Working Conditions

<sup>2</sup> Commission of the European Communities, Commission Communication “Restructuring and employment – Anticipating and accompanying restructuring in order to develop employment: the role of the European Union,” COM(2005), Brussels, 31.03.2005

<sup>3</sup> Data from the EQUAL Common Database (ECDB)

they also have the potential to be further developed – and hopefully extended – in the future based on the growing experience of the Round 2 DPs.

## COMPREHENSIVE AND INTEGRATED APPROACH

No doubt one of the biggest achievements, and at the same time one of the broadest conclusions from EQUAL Rounds 1 into 2, is the need to develop an *integrated and comprehensive approach* to restructuring. Many of the successful EQUAL DPs recognised the value of developing projects that addressed all stages of the “problem solving” process, starting from planning and ending with evaluation, tackling a multitude of related problems, and consulting and involving all the relevant actors and stakeholders.

The NEORION II DP (Round 1, Greece) is an excellent example of this commitment towards a comprehensive and holistic approach to restructuring. This DP worked to revitalise the declining Greek ship-building sector, as well as the related services and sub-industries. The objectives of the DP were to restructure these industries by planning investments in every branch of the ship-building sector, such as the introduction of ICTs, new types of work organisation and management, special equipment and development, and continuous vocational training of the employees.

The NEORION II DP developed innovative and flexible restructuring tools (job profiles, work post specifications, training manuals, VR training software, e-learning platform, skill assessment tools), as well as products such as integrated Human Resources Management (HRM) systems to support staff and enhance the adaptability and employment levels of the Greek shipbuilding industry. The whole process of identifying the right products was carried out in order to modernise human resource management in ship-building, and provide a solid basis for the development of human capital in the industry. The target groups included all employees in the shipyards, employers, trade union representatives, and the unemployed with the relevant skills or willingness to work in ship-building.

The innovative and comprehensive aspect of the Greek DP was the use of organisational change as a means of upgrading human resources, not just on the scale of one single industrial unit, but on the scale of an entire industry. Consequently, the DP not only contributed to the competitiveness of the Greek ship-building industry, but also improved the social prospects of its present employees and the workers of future generations whose education and training was already envisaged.

## INVOLVING AND EMPOWERING PARTNERS

*Involving and empowering* a large number of different partners was a major challenge, but also an enormous gain for EQUAL DPs in dealing with restructuring. Building partnerships on democratic and equalitarian principles helped to avoid the power-relationships potentially governing the relations between the public, private, and non-governmental organisations (NGOs). The possibility for each partner to negotiate roles and tasks on the principle of one actor one voice, to contribute to the project and communicate with other partners from day one of the project considerably improved the level of cooperation and transfer of good practice between the partners.

Whilst partnership working has benefited all of EQUAL’s thematic areas, it has had particular relevance for restructuring in terms of bringing individuals and organisations together that might not have previously collaborated, or at least not as effectively. EQUAL has enabled the public, private and voluntary sectors – all of which are affected by or have a stakehold in dealing with changes in the labour market – to communicate and collaborate, leading to more effective and sustainable responses.

### National level

One example of a successful partnership on the national level is the Mudança de Maré DP (Round 1, Portugal), which brought together a highly diverse range of actors and local stakeholders to tackle the multi-dimensional problems faced by the Azorean fishery sector. Local development associations and co-operatives representing crews of more than 500 boats were

involved in the partnership to ensure grass-roots contact and consultation with the fishing community. Youth associations took part to make young people aware of the many benefits of working in the fishery sector. Two women's rights organisations were involved to address the specific gender problems characterising the fishing industry, and to make women more aware of their potential in the community. A cinematographic company was drawn into the DP to visually improve the negative image of the sector. Last but certainly not least, the Azorean regional authority for agriculture, fishing and environment got on board to directly link Mudença's activities with policy-making.

Thanks to the involvement of these interested individuals and organisations, the DP was able to launch a wide and effective programme of activities to help the fishery sector to become more adaptive and responsive to change. This included initial sectoral analyses, training needs surveys and professional profiles, the development of communication platforms for fishermen, as well as initiatives to preserve the heritage and culture of the fishing industry.

### **Regional and Community-level Collaboration**

The FAIR DP (Germany) provides a good illustration of how actors can be brought together to deal with structural issues at the regional level. This DP aimed to address economic and labour market changes arising from world wide reorganisation (delocalisation) programmes, shutdowns, and changing market strategies of global enterprises, all of which had led to significant job losses in the Nuremberg region of Germany.

The DP's response to this structural change in the region was promoting the adaptability of companies across Nuremberg, integrating disadvantaged groups, improving the employability of older employees through innovative forms of learning, and organising specific training programmes prior to staff redundancies in order to enable inter-company transfer of employees. Among the products and tools created by FAIR was an early warning system which helped in the prevention of company crises, the improvement of training in the Nuremberg region through the promotion of new forms of learning, and the development of IT competences as a cross-sector qualification allowing more flexible career paths.

A critical success factor in this activity was the direct involvement of key stakeholder organisations in the region. This included public authorities, employers' organisations, several businesses, as well as a social enterprise. Through the collaboration of these public, private and voluntary organisations, the DP was able to consider the restructuring challenge from 'all angles', and most critically ensure ownership of the emerging solutions for the benefit of the whole region.

### **EMPLOYEE SKILLS DEVELOPMENT**

The recognition, accreditation and constant development of employee skills is an essential "ingredient" of a competitive economy. Once again, EQUAL DPs have been very effective in recognising the impact of structural change on skills requirements and levels, and responding to the changing face of the labour market in general. They have designed and developed a range of products and approaches to skills development, training and guidance as a means of helping individuals to secure or retain employment and for employers to remain competitive.

As an example of innovation, the EN@E DP (Round 1, Spain) quickly comes to mind. This DP identified the threat posed by ICTs to all areas of the book industry, namely publishing, distribution, wholesale and printing. It recognised that if the industry was going to remain vibrant and competitive, and its workforce remain in work, then it needed to quickly embrace new, emerging technologies such as the Internet, multi-media design and digital printing.

The DP broke new ground in this area by designing a suite of training courses on new technologies, and offering these via a fully interactive e-learning and guidance platform. The level of response from workers in the book industry, both in terms of the quality of feedback and the level of participation, was overwhelming. Moreover, there was positive endorsement from the Spanish Ministry of Culture, with the potential for follow-on funding, as well as a direct interest from representatives of the audio-visual sector asking to launch a similar initiative in their field of work.

Based on national and European research undertaken by the DP, the training courses and their mode of delivery via the Web mark a first for the book industry in Spain and beyond. They therefore serve as an excellent illustration of how a sector under threat can take the initiative and respond positively to technological change.

## ENCOURAGING PARTICIPATION OF EMPLOYERS

Often one of the hardest tasks in the process of change management is to secure the active involvement of the employers in anticipating, managing, and alleviating the consequences of restructuring. The South London Development Partnership (SLDP) (Round 1, Great Britain) produced excellent results in engaging with businesses with the view to promoting the benefits of employing a diverse workforce.

The DP established and sustained a network of partners concerned with employment, skills and workforce development across South London. It built on the experience of previous European employment and training programmes, as well as the best practice examples from employers, specialist organisations and key target groups. The SLDP's key activities and interventions focused on (1) increasing the employability of socially excluded or disadvantaged groups in the South London labour market and (2) developing employer-centred strategies to promote the "Business Case for Diversity" through Business Round Tables, Recruitment Agency Network, Equalities Seminars, Personnel Locums, Small Firm Learning Accounts, and a comprehensive research programme.

It was the initiatives listed under (2) above that proved really effective in getting the buy-in from local businesses, and ensuring that they were part of the solution to dealing with labour market threats and opportunities in the South London region. The Personnel Locums, for example, involved trained experts going into companies that did not have the time or resource for a permanent human resource function, and providing guidance and practical support in dealing with staff and business development issues; in other words, the company was benefiting from a kind of 'surrogate' human resource manager. This approach proved extremely beneficial in getting 'a foot in the door' to businesses, and using this as a platform to get companies to think beyond their immediate pressures of 'fire fighting' and looking at the wider and longer-term demands of responding to structural change.

## ANTICIPATING CHANGE

A critical part of the restructuring equation is undeniably anticipating change *before* it occurs. If industries, businesses and individuals can know and understand what lies ahead, then they are far better equipped to prepare and deal with it. However, the actual task of anticipating change is easier said than done, particularly when it concerns complex economic, social and structural transformations occurring on a large scale. However, EQUAL DPs have proved that effective tools and approaches to change anticipation and monitoring can be developed.

The ReADAPT project (Round 1, Portugal) can be cited as one such partnership. The main objective of this DP was to constitute a network for the integrated social and economic development of the Covilhã region. The DP also created a regional monitoring device – or observatory - based on this network, in order to develop and support the processes of productive restructuring with the aim of fighting local unemployment. The mission of the observatory was to collect information, build databases, and produce studies relating to the anticipation of the restructuring processes. It also diffused pertinent information on investment and business opportunities in the region, looked for possibilities to renew employment sources, and addressed restructuring proactively through the creation of professional training centres, which advanced qualifications, promoted the transferability of work as well as life competencies.

Another good example, particularly in terms of anticipating change across national boundaries, is the transnational partnership of the NEORION II DP cited earlier. This DP along with its partner DPs in Finland, Greece and Italy formed a transnational consortium known as "EUNETYARD". "EUNETYARD" focussed on solving the problems of employees in the shipbuilding, repair industries, and their subcontracting firms. A notable outcome of this consortium was the development of a "Sectorised Observatory" which enabled professional profiles in the shipbuilding industry to be constantly monitored so as to rapidly determine and implement strategic

modifications, develop methodologies for business management, and ensure the effective use of personnel.

## **RESTRUCTURING IN THE NEW MEMBER STATES**

An interesting development for the restructuring messages coming out of EQUAL is the involvement of the new Member States. Although most new Member States have only started their participation in EQUAL under Round 2, it has already become evident that restructuring is one of their top priorities. Their newly approved DPs focus heavily on restructuring at the company and sectoral level, paying special attention to developing the adaptability and skills of workers in response to (often drastic) economic and social changes. The vast majority of these DPs use training as a method to achieve these objectives, followed by employment services, counselling, and the setting up of economic and technical observatories.

Probably due to sharper discrepancies between urban and rural areas within the new Member States, the majority of partnerships have a regional focus rather than a national one. The fact that many of the DPs are combining this focus with a sectoral approach seems to imply that they are operating in specific territorial areas affected by restructuring. Another difference with the EU15 is in the choice of the target groups - the new Member States partnerships place a greater emphasis on vulnerable workers and the unemployed, whilst less attention is devoted to the employability of women, older workers, and people with disabilities.

Having 11 DPs working on issues related to restructuring, Poland is by far the most active among the new Member States in this field. The Polish EQUAL Managing Authority is planning to share this interest and expertise in restructuring-related issues through a 'peer review' of good practices planned in 2006. It is also anticipated that other Member States – new and old – will consider similar activities to 'capture' and disseminate their work in relation to restructuring and other related areas.

## **SO WHAT NEXT?**

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Considering the socio-economic situation in the EU, restructuring is taking an ever prominent place on the Union's agenda. This article has listed just few examples of good practice (including specific tools and approaches) developed by the EQUAL DPs to tackle the problem related to restructuring and develop a pro-active approach to the management of changes on the regional, industry, enterprise and individual scale. EQUAL DPs propose to take an integrated and comprehensive approach to restructuring, they have affirmed the benefits of bringing together public, private, and non-governmental actors, involving, empowering and consulting partners, and working for the benefit of the most excluded.

There is a good 'critical mass' of experience from the first Round, which is quickly being developed and built upon through the second Round. EQUAL therefore offers significant potential to feed into and inform the current restructuring debate at all levels, from local through to European. The next step is therefore to capitalise on this potential and launch initiatives through EQUAL's European thematic work, as well as by individual Member States. And if such steps are taken, this article in one or two year's time will not just be relaying a 'taster' of EQUAL experience, but a substantial body of practice which can offer innovative solutions and ideas to both policy makers and practitioners alike.