

## RESTRUCTURING - THE ROLE OF DYNAMIC REGIONS!

On 4 and 5 December 2006 the Restructuring Forum met in Brussels, uniting around 400 regional and local leaders, social partners, national representatives and senior European Union (EU) officials in a discussion on how Europe's regions can make best use of EU funding to adapt to economic change. Under the working title "*How dynamic regions face restructuring and the role of the European Social Fund and other Structural Funds*", this third meeting of the Forum looked in particular at restructuring from a territorial perspective and the crucial role played by the European Social Fund (ESF) and European Regional Development Fund (ERDF) in supporting these developments.

Clearly, given its focus, the meeting presented an exciting and unique opportunity to disseminate the results of EQUAL - indeed, an opportunity that could not be missed! In the weeks and months leading up to the Forum event, the EQUAL Unit of DG Employment, Social Affairs and Equal Opportunities collaborated with colleagues in the ESF Article 6 Innovative Measures Unit and the European thematic experts for Adaptability, to research and publish a document on the restructuring-related achievements of EQUAL and ESF Article 6. This document, entitled "Innovative and Socially Responsible Restructuring", was one of the headline papers at the Forum meeting, backed up by attendance of a range of EQUAL and Article 6 actors on the day!!

Please read on to find out what was discussed and debated in the Restructuring Forum...

### SO WHERE HAS THE RESTRUCTURING FORUM COME FROM?

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The Restructuring Forum was launched in June 2005 by the European Commission as a high-level group of actors and stakeholders working in the areas of change anticipation and management. The Forum's overall mission was – and continues to be - to provide an EU-wide framework for gathering information on restructuring by keeping in regular touch with the organisations already working with this issue, as well as monitoring ongoing changes, and ultimately ensuring that the various EU initiatives dealing with restructuring are properly dovetailed.

Carrying on this mission, the third Restructuring Forum meeting helped to emphasise the social and financial benefits of anticipating change, and outlined the tools and practical examples of this being done in the EU with the help of its financial and policy instruments. "*Corporate restructuring has serious impacts in economic, social and human terms. But with the right policies, anticipation and support, regions can manage economic change and turn it to their advantage,*" said Vladimír Špidla, EU Commissioner for Employment, Social Affairs and Equal Opportunities: "*By making use of good practices from the past this Forum is helping regions focus on the future. Funding available under the Structural Funds for the next seven years is equivalent to the post-war Marshall Plan. It's now up to Member States to translate this into projects on the ground.*"

### RESTRUCTURING: THE EU'S INITIATIVES AND INSTRUMENTS

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In terms of the EU's initiatives and instruments, the Restructuring Forum meeting provided a good chance to 'take stock' of what's out there and possible for restructuring stakeholders. Not surprisingly, the new European Globalisation Adjustment Fund (EGF) formed an important part of this significant discussion.

#### European Globalisation Adjustment Fund

The fund will have the potential to provide €500 million each year to address the negative consequences of globalisation on workers who have been made redundant due to changes in world trade patterns. Mr Jean-Louis Cottigny, Member of the European Parliament (MEP), reminded everyone that the European Parliament would have the final vote on the EGF during

December. In his view, this Fund serves as an essential instrument insofar as it shows European workers that the EU can work directly for them. Financial assistance from the EGF is available from January 2007.

### **European Regional Development Fund and European Social Fund**

Mrs Natalija Kazlauskienė, Director at Directorate-General (DG) Regional Policy (DG REGIO) raised, amongst others, two issues concerning the ERDF – delocalisation and the importance of National Development Plans. She said that delocalisation cases like Rover (18.000 people made redundant in the UK) and VW (4.000 in Belgium) have to be supported by the ERDF (and the European Social Fund (ESF)). Mrs Kazlauskienė emphasised that delocalisation is a natural process. However, the use of ERDF resources in supporting this process and in alleviating its consequences have to be meticulously monitored. Mrs Kazlauskienė also underlined the importance of bringing together regions to share their experience in restructuring. In addition, she mentioned the possibility of the reviewing of National Development Plans in order to receive more support for restructuring activities in the regions<sup>[1]</sup>.

Mr Xavier Prats Monne, Director at DG Employment, Social Affairs and Equal Opportunities (DG EMPL) pointed out that the EU's financial and policy instruments have never before been so complementary – the European Employment Guidelines fit into the Lisbon Agenda and are supported by the Funds. "*Ageing population, stagnating growth, low employment rates are nothing new,*" he said: "*the ESF is already addressing all these issues.*" However, the ESF has also become more specific on issues relating to the anticipation and management of change – these are identified as priorities in the new ESF Regulation 2007 – 2013 (Article 3.1). According to Mr Prats, ESF support will focus on three large areas: training for individuals, strengthening companies and networks, and support to systems of change management. Specific attention will be devoted to the plans and solutions addressing the issues of an aging population, the diminishing number of young people and scarce labour through proactive approaches and activities based on partnership.

### **INTERACTION!**

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An important part of the Restructuring Forum's discussion took place during four *Interactive Sessions*. The first one focused on instruments, the second on re-conversion strategies and coordination, while the third and the fourth discussed partnerships and Small and Medium-Sized Enterprises (SMEs) respectively.

The first interactive session set out to discuss the instruments, mechanisms and structures (regional labour market observatories, experts' networks, reconversion cells, training of "change managers", etc.), as well as effective interventions (anticipation, target training, aid to individuals, promoting entrepreneurship, etc.) for better managing restructuring. The discussion was based on the presentation of regional restructuring cases from Italy, Ireland and Greece, all supported by the ESF. All of the regions discussed had undergone profound structural changes in the past and had managed to implement measures that had allowed them to remain competitive in the global market.

Some 8.000 workers lost employment due to the decline of traditional industries in Umbria Region (Italy). To address this problem, a partnership was created between regional authorities and the social partners to develop a long-term recovery strategy for the region. This plan included three broad components: restructuring plans for the main industries, diversification of these sectors/services and educational measures. The implementation of this plan was supported by ESF and regional funds, which co-financed scholarships for young researchers, training in adaptability, development of tourism, creation of new services and new employment fields, as well as innovation and SME support in the region. Five examples of restructuring programmes in Ireland showed how ESF co-financing allowed for the anticipation of change in the declining industries through the development of new occupations, skills and training programmes, investing in future technology fields, creation of public employment centre to help redundant workers training and advice to improve management practices and provision of training to low-skilled workers in order to re-skill or up-skill them. By comparing two regions with different entrepreneurial attitudes, the Greek example clearly demonstrated that restructuring comes easier and smoother in regions with high levels of entrepreneurship. The discussion also evoked the roles and responsibilities of the regional authorities and entrepreneurs alike in the

restructuring processes - public actors should create a framework for the management of change and the private actors should be in a position and have the right attitudes to act on it.

In the second session the example of Spain was presented, where traditional industries like shoe-making survive in the conditions of global competition. They do so because of the institutional coordination in creating the critical mass that allows the sector to evolve from manufacturing to the knowledge-based industry characterised by innovation, brand and product positioning. The session also underlined the importance of regional observatories in anticipating change. Observatories can help with regional profiling and building a strategy in specialised fields.

A German example of restructuring in the Bio-technology sector illustrated the ideas presented in the third interactive session. This project united three German Federal States in the creation of a cluster of 20 companies and a research centre to create a win-win situation for everyone. The focus of the partnership was on commercialisation and promotion/valorisation of the regional centres of competence. The initiative put the 'product' as the basis of its economic success and ensured a sustainable financing of all the actors in the supply chain. It illustrated once more that public financing is not a prerequisite for a successful project. What companies need is a framework to generate profit (70 per cent of the funding for the project was private and 30 per cent public). The main challenge for the project was to prove the benefits of partnership working versus working alone. It showed that it is easier to compete as a partnership because the partners can draw heavily on the various strengths of the actors involved.

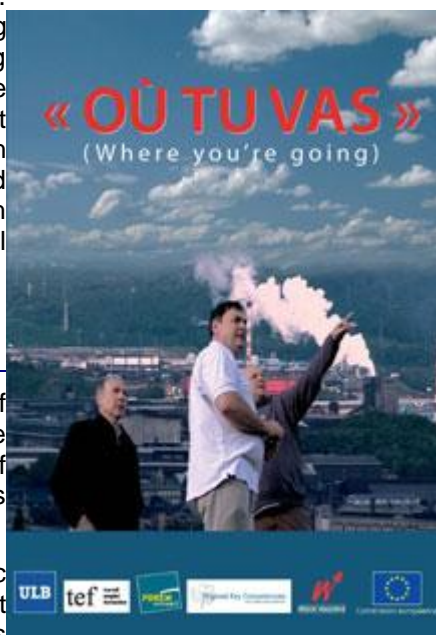
The fourth interactive session stressed the role of territories as indispensable layers for the promotion of competitiveness and innovation. It introduced the different measures regions have put in place to address the issue of restructuring. What was common to all the examples was the choice of these regions to continue to invest in promoting industry, instead of channelling the investment to the more "promising" service sectors. Wallonia (Belgium) and Basque region (Spain) have both continued to invest in the industry, creation of industrial poles, technical education, research, specialisation and industry clusters. The regions have used the bottom-up approach of asking actors involved to be active and creative in order to bring about new employment profiles. The Participatory scheme was used not only in the design of industrial development plans but also in ensuring their governance. This approach has helped the regions to ensure international visibility and in attracting Direct Foreign Investment (DFI). The Spanish and Belgian measures have ensured the economic survival of traditional industries and created new jobs.

## A FEW CONCRETE EXAMPLES

The second day of the Forum began with the projection of the film "Where you're going", which told the story of the Eurofoil aluminium factory closure in Liège from the point of view of the workers. This really interesting example is presented in a [separate document](#).

The second day also saw the presentation by Mr Frédéric Bruggeman, the International Coordinator of MIRE project funded under the ESF Article 6 innovative measures. This project is notable for its efforts to produce a generic model for guiding the restructuring process. Mr Bruggeman gave some points of reference for managing the restructuring in the regions:

- Participation and representation - all of the relevant territorial actors must be present in the process of restructuring. If certain actors are not represented during the restructuring process, their interests are not taken into account and this may pose obstacles to the restructuring process and its perceived success. These regional actors have to be flexible and willing to take up new roles in the management of restructuring,
- Negotiation between actors (not merely a consultation) is a tool for driving the monitoring restructuring. Whatever the device created to manage the restructuring process, if it



triggers negotiation, then it is a useful (good) device. Negotiation, however, has to be targeted at goals that do not damage society as a whole.

- Anticipation – territorial measures and instruments (like development strategies, observatories, employment centres, etc), once established, help to better manage each following restructuring case. On the individual level, although it is not possible to train people for restructuring, but we can foster the experiences of what is useful when restructuring occurs.
- Employability, achieved by training and validation of the experience derived from work (validation of work-derived experience, is the term), promoting employability of workers by training (top-down measures) and validation of skills and experience (bottom-up approach).
- Evaluation is the final issue to be addressed in the context of restructuring. So far, there has been no global approach to the long-term evaluation of restructuring processes. And if evaluation is undertaken at all, it is seldom made public. Restructuring processes are often rushed, painful and charged with sensitive issues, so they tend to be always perceived negatively. These factors also contribute to the fact that so little evaluation of the restructuring has been produced so far, but without such evaluations there is no way of saying what were the successful the processes and practices. Thus, there is also no way of focusing on the problem solving approach.

## **CONCLUSIONS AND A SPOTLIGHT FOR EQUAL!**

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One of the final highlights of the Restructuring Forum was the promotion of the "[EQUAL and ESF Article 6: Innovative and Social Responsible Restructuring](#)" paper. This document made the most of EQUAL and ESF Article 6's 'special features', namely partnership-working, transnational collaboration and innovation, for the more proactive management of change and/or for alleviating the negative consequences of restructuring. Moreover, it gave a series of highly relevant policy recommendations and practical solutions developed and backed up by more than 30 partnerships. Overall, the paper provided an important spotlight for EQUAL in the critically important restructuring debate!

In terms of overall conclusions, the participants of the meeting seemed to agree that the pace of change is accelerating and that the only way to keep up with this is to perceive it as a dynamic process that needs constant monitoring and adjustment. In the words of the Commission Vice-President, Günter Verheugen, responsible for enterprise and industrial policy:

*"Structural changes, which have always accompanied the development of our economies, have recently accelerated. Rather than trying to oppose them, we need to design policies to help businesses, workers and consumers to foresee the changes, adapt more quickly to them and fully seize new opportunities. I am happy to see the EU regional policy moving in this direction and becoming an important instrument of the Growth and Jobs Strategy."*

[1] After the review of National Development Plans extra money can be allocated to difficult restructuring cases through two Regional instruments: JESSICA and JEREMY.