

EQUAL: EMERGING LESSONS AND INSIGHTS ON RESTRUCTURING

1. WHY EQUAL AND RESTRUCTURING?

Restructuring is by no means a new concept or phenomenon. Enterprises, whether large or small, have always been faced with the challenge of having to operate within a dynamic economic and social environment. Anticipating and managing the changes that lie ahead – or in some cases, just around the corner – has formed an important part of business survival. Such changes have in the past led to the reorganisation of major industries such as shipbuilding, steel and textiles. They have also affected whole regions, whereby local, well-established employers have hit economic difficulty, and been forced to down-size or even close down. But they have also impacted on firms outside of the far-reaching or more visible cases; even the smallest firm or business locality constantly has to adapt to remain competitive. Across the board, “a dynamic economy is in a constant process of restructuring.”¹

Although restructuring itself is not new, the speed, complexity and scale with which it occurs certainly is. Global competition, technological innovation, demographic trends, shifts in consumer demand, changes in regulatory frameworks and other such pressures are all impacting on the way in which companies do business. In addition, they are seriously affecting individuals whose skills and circumstances may no longer be compatible with the requirements of our time or sufficiently flexible. The consequences of not responding effectively to this fast-moving and highly pressured environment lie at the heart of why restructuring forms an important subject of EU debate today.

Against this background, the European Social Fund (ESF) EQUAL programme represents a significant test-bed for piloting innovative approaches to managing restructuring, from an economic and most critically a social point of view. The programme’s overall emphasis on addressing disadvantaged groups and promoting social inclusion in the labour market, as well as one of its thematic foci being on ‘Adaptability’, means that EQUAL is ideally placed; in essence, EQUAL is able to provide insights and experiences in the field of proactive and socially responsible change management, which are invaluable to the current EU restructuring debate.

The purpose of this paper is to introduce the clear synergy between EQUAL and restructuring as an issue. Its principal aim is to give an overview of some of the main issues and developments, particularly at the EU level, relating to the anticipation and management of change. Through this overview, it also seeks to explain and present the relevance of EQUAL, including a selection of illustrative examples. The paper is not intended to be a definitive statement on the subject, but a starting point for more detailed analysis and discussion on the potential contributions from EQUAL to restructuring policies and measures at EU level now and in the future.

This paper builds on the initial ideas presented in the European Commission’s short article, “*Restructuring: curse or remedy?*” found on the European Commission’s [EQUAL website](#). It also includes DP examples, many of which can be read as full case studies on the same website.

2. SPOTLIGHT ON EQUAL

Establishing exactly how many EQUAL DPs deal with the issue of restructuring is not a straightforward task. Across both EQUAL Rounds, there are altogether 3,614 different partnerships and 865 alone under the two Adaptability themes: Theme 3F – Adaptation to Change and New

¹ Draft – preliminary Background document: [Restructuring and employment forum](#). Brussels, 23 June 2005 EMPL-2005-01218-01-00-EN-TRA-00, p. 4.

Information Technologies (NIT) and Theme 3E – Lifelong learning. Moreover, DPs deal with three to five interrelated sub-themes on average, making it hard to distinguish a single priority focus under the overarching objective of fighting discrimination in the labour market. However, it is possible to make a rough estimate of how many partnerships work with the management of change based on the number of DPs using restructuring-related keywords in the descriptions of their goals and activities on the EQUAL Common Database (ECDB).

A search using key-words generally associated with the management of change (such as 'change management' or 'structural change') has been used to sketch the scale of the restructuring-related activities across EQUAL. This also includes a search based on the European Restructuring Monitor (ERM)'s ten keywords, all of which focus on enterprise-level restructuring.

It is acknowledged that, in describing their activities on ECDB, the DPs will have used a wide and variable range of restructuring types, concepts and meanings. Therefore, the keyword search can not be taken as an exact indication of the scale and spread of restructuring interventions in the EQUAL initiative. It does nevertheless give a useful representation as to the complementarities between these two areas.

Table 1: Number of the restructuring-related keywords in the EQUAL DP descriptions ²

Key – word	Number of EQUAL DP descriptions including the key-word(s)							
	All theme s ³	Adaptability - Adaptation to Change and NIT (3F)			Adaptability – Lifelong learning (3E)			Adap t. 3F&3 E
		Total	Total	Round	Round	Total	Round	
1. All key-words ⁴	813	118	49	69	156	87	69	274
2. ERM key-words ⁵	507	51	20	31	95	57	38	146
3. Modernisation	164	40	20	20	30	20	10	70
4. Restructuring	115	27	10	17	21	14	7	48
5. Reorganisation	89	9	5	4	30	16	14	39
6. Structural change	73	23	9	14	9	4	5	32
7. Change	32		2	9	7	2	5	18
Total number of all	3.614	Total number of Adaptability DPs						865

Overall, 22% (813 out of 3.614) of all EQUAL DPs use the restructuring-related keywords to describe their activities and goals. Furthermore, as would be expected, there is a noticeable concentration of DPs dealing with restructuring and change management issues under the Adaptability pillar of EQUAL. Whilst this pillar represents only around 23% of all the partnerships

² In Table 1 the search has been conducted separately with each keyword in rows 3-7. For example, the keyword 'restructuring' appears in 115 DP descriptions across Round 1 and 2. It is therefore expected that there is a degree of overlap between the results produced in this fashion across these five key words. In the case of the keywords in rows 1 and 2, two separate searches were conducted, identifying DPs that used at least one of the groups of key-words specified. For example, 507 of the DP descriptions use at least one of ERM keywords.

³ EQUAL themes: 1A Employability - (Re-)integration to the labour market; 1B Employability - Combating racism; 2C Entrepreneurship - Business creation; 2D Entrepreneurship - Social economy; 3E Adaptability - Life long learning; 3F Adaptability - Adaptation to change and NIT; 4G Equal opportunities - Reconciling family and professional life; 4H Equal opportunities - Reducing gender gaps and desegregation; 5 Asylum seekers.

⁴ All restructuring key-words (Restructuring, Change management, Structural change, Modernisation, Modernization, Reorganisation, Reorganization, Business expansion, Internal restructuring, Bankruptcy, Closure, Offshoring, Delocalisation, Relocation, Merger, Acquisition, Outsourcing).

⁵ The European Restructuring Monitor (ERM) is presented in more detail in Section 7. of this paper. It uses the following key-words to classify types of restructuring within an enterprise: Business expansion, Internal restructuring, Bankruptcy, Closure, Offshoring, Delocalisation, Relocation, Merger, Acquisition, Outsourcing.

funded under EQUAL, they account for 34% of all the activities related to restructuring issues. Looking specifically within the pillar, the key-word search suggests that 274 from the total of 865 Adaptability partnerships deal with restructuring issues, 156 out of the total 531 partnerships in the Lifelong Learning theme and 118 out of the total 334 in Adaptation to Change.

Another perspective on the extent to which EQUAL is addressing restructuring is the earlier detailed analyses of Round 1 and Round 2 DPs in the Adaptability pillar. These analyses (undertaken on Round 1 in [2003](#) and Round 2 in [2005](#)) took a representative sample of DPs and sought to identify and define the main focus of their activities. The results of these analyses again show a strong degree of activity in relation to restructuring, most notably for the DPs funded under Adaptation to Change. For instance, 70% of the Round 2 Adaptation to Change DPs have been found to focus on the 'adaptation of labour markets' in different sectors and especially at the regional level. This focus has included the anticipation of future skills needs and the improvement of employment access for those threatened with redundancy or without a job. 53% of (Round 2 Adaptation to Change) DPs are also addressing the 'adaptation of companies' by improving both the capacity of companies to adapt to new circumstances and restructuring, as well as on increasing quality of work, working conditions and the well-being of employees.

A particularly interesting development in the second Round (again for Adaptation to Change) is the increased focus on 'corporate social responsibility' centred on, for example, the development of in-company consultation services and the promotion of social dialogue. Although only representing 17% of (Round 2 Theme F) DPs, this development is still an area worth consideration given that socially responsible practice forms an important part of the restructuring debate.⁶

Based on the key-word search and thematic analyses, the considerable extent to which the EQUAL DPs are involved in the restructuring activities is clearly evident. This provides a good basis for further thematic monitoring and analysis of these 'restructuring DPs' in the future. In the meantime and for the purpose of this paper, it is already possible to identify some pertinent DP examples; indeed, these examples serve as a kind of 'taster' of the good and emerging practice from EQUAL that could be of interest to those individuals and organisations concerned with restructuring.

Rather than present these DP good practice examples from EQUAL Rounds 1 and 2 in isolation, they have been incorporated directly into Sections 3 to 5 below. As such, they help to illustrate the more in-depth exploration of restructuring as an issue in the body of this paper.

3. RESTRUCTURING: A CRITICAL PART OF THE NEW LISBON STRATEGY

"Growth is slowing, structural unemployment remains high, inequalities are rising. Unless we are able to change, the forces of global competition, the impact of new technologies and our ageing population will increase the gap between the two Europes, and between Europe and the world. Our economic success and the financial viability of our social systems – pensions, welfare, health – is called into question...

The need for change is widely recognised; for example, in the reform process launched in Lisbon in March 2000. But this analysis has not yet been fully translated into action. Europe can no longer afford to wait; because what is different five years on is the added sense of urgency."⁷

These words, presented in the *Commission's Communication [European Values in the Globalised World](#)*, clearly mark the importance of rapid, focused and effective change management in meeting the Lisbon goals for sustainable economic growth, increased and better quality jobs, and social cohesion. Restructuring forms a critical part of this Lisbon agenda. On the one hand, it means creating favourable economic conditions for businesses to adapt and thrive within an

⁶ European Thematic Group 3. (EQUAL Round 2) *DP thematic analysis: Adaptability theme 3F – Adaptation to change and NIT*. December 2005.

⁷ *European Commission - European values in the globalised world - Contribution of the Commission to the October Meeting of Heads of State and Government*, COM(2005) 525 final. Brussels, 20.10.2005. p. 3.

increasingly global and competitive market place. On the other, it means supporting and responding to the needs of workers, and the localities in which they live, so that they are able to operate flexibly and make the transition, if needed, into new economic areas.

The balance between these two dimensions can be a difficult and often controversial one; indeed, restructuring has for a long time been seen as a negative phenomenon, with high social costs in the form of large-scale redundancies, poor working conditions and the decline of particular sectors or regions. So the challenge for EU and national leaders today is to accompany restructuring in a way that minimises the immediate negative effects, particularly in terms of employment, and maximises the longer-term opportunities in terms of growth and job creation. However, the challenge is even greater than this - it is about ensuring that these opportunities do not exclude those already experiencing difficulties in the labour market. As the *Commission's Communication on [Restructuring and Employment](#)* highlights, "workers do not automatically move from one sector to another. The disappearance of certain particularly dangerous, arduous or polluting jobs can be seen as something positive if they are offset by new ones. However, the new jobs that are created are not necessarily taken up by the people who have been made redundant because the location and the skills required are not necessarily the same in the two cases... These changes hit the most vulnerable population groups, especially low-skilled workers, particularly hard. The capacity of the EU to maintain a supply of satisfactory jobs for these workers is decisive for social cohesion."⁸

Anticipating and responding to the impact of restructuring on vulnerable groups is one of the strengths of the EQUAL programme. A particularly good example is the [DECRIRE](#) DP in Belgium.

DP name: *DECRIRE*

Lead partner: Le FOREM, Belgium

DECRIRE was set up under the first Round of EQUAL to retrain workers facing unemployment or already made redundant as a result of sectoral restructuring. The core activity of the partnership was to reform the worker re-training and support system already in place in Wallonia, turning it into an effective mechanism to address the needs of at-risk and redundant employees, as well as ensuring the strategic engagement of public authorities and social partners.

The approach developed by *DECRIRE* can be divided into four parts: (1) validating the experience and know-how acquired by the 'Retraining Units' established by the trade unions to deal with the massive and successive processes of restructuring in Wallonia region over the previous four decades; (2) providing the actors in the retraining process with tools enabling them to carry out their task of support and supervision; (3) gathering practical examples and experience of collective retraining from other European regions facing similar problems; and (4) setting up an Integrated Retraining Resource Centre to act as a focal point for retraining initiatives in the region.

Amongst the partnership's achievements, the 'Re-conversion Guide' is worth a mention. This guide was developed to speed up the creation of and running of the 'Retraining Units' since it was recognised that people facing redundancy were often traumatised and at risk of exclusion if not helped rapidly. Another key success of the DP was the consolidation of a partnership between trade unions (FGTB and CSC), regional institutions and training/research centres. This partnership was not only instrumental in setting up new and improved Reconversion Units in various sectors (textiles, construction, glass and transport) across the region, but also in ensuring political and legal recognition for the retraining system by the Ministry of the Region of Wallonia. And finally, a key outcome was the number of individuals supported: as a result of *DECRIRE*'s new tools and new methods, 4,314 workers benefited, and on average, 75% of them found a new job.

⁸ Communications from the European Commission. *Restructuring and employment: Anticipating and accompanying restructuring in order to develop employment: the role of the European Union*. COM(2005) Brussels, 31.03.2005 p.4.

4. FORMS OF RESTRUCTURING

One of the challenges in fully understanding restructuring is that the term designates various types of activity on different scales, very often taking place simultaneously or consequentially. The EU focuses on the enterprise as being the core economic unit involved or facing restructuring. However, restructuring can also be seen as a transformation happening on the scale of a whole sector or industry, throughout a region, or even across major parts of a country. These different forms of transformation are presented below, illustrated by examples from EQUAL.

4.1. INTER-SECTORAL RESTRUCTURING

The most far-reaching form of restructuring is that which takes place between major sectors (agriculture, industry and services), on what is known as the inter-sectoral level. These major trends, which are at times referred to as 'de-agriculturalisation', 'de-industrialisation' and 'tertiarisation', have been very apparent in the countries of Western Europe. This type of restructuring now continues apace in the new Member States of central and Eastern Europe. The basic stages of this type of restructuring can be described as follows: initially, unemployment rises because the number of jobs lost exceeds the number created, then the labour force is gradually reabsorbed in the sector(s) undergoing expansion, leading to a new distribution of employment in the sectors.⁹

As a consequence of slowly opening markets, international competition and improving logistics that facilitate import, European farmers can be those hardest hit by the effects of inter-sectoral restructuring. This can be observed in the steady decrease in agricultural employment, and the pressures placed on rural businesses and culture. Whilst this picture appears all over the EU, France has been particularly proactive in responding to the change, as illustrated by the *REAGIR* DP below.

DP name: *REAGIR: Assisting the Farmers with the Change of Profession and the Re-adaptation of their Enterprises*

Lead partner: Association Départementale d'Aménagement des Structures d'Exploitation Agricole, France

Over the last four decades, the Common Agricultural Policy (CAP) has provided French farmers with a relatively stable income and quality of life. However, with the enlargement of the EU in 2004 and the increasing pressure for the World Trade Organisation to cut on EU agriculture subsidies, this situation has been called into question. One response has been the activity of four EQUAL DPs dealing specifically with agriculture and rural employment in France.

One of these DPs, *REAGIR* was set up under Round 1 of EQUAL to help farmers who are dealing with the social, economic and technical difficulties posed by CAP reform.¹⁰ It specifically targeted workers who had low qualifications, limited experience outside the agriculture sector, and additionally were suffering from problems of isolation, low mobility and/or poor health.

Particular actions undertaken by the DP included setting up a 'Support Unit' to locate, listen, and support individual or groups of farmers. The partnership also developed criteria to help adapt the farms, which ultimately helped them to stay in business and the farmers to remain in employment. These solutions also included: social, shared employment and work organisation solutions, training for farmers who wished to specialise in other manual occupations in the region, as well as promoting the cooperation of agricultural organisations through the establishment of a

⁹ http://europa.eu.int/comm/employment_social/employment_analysis/restruct_sem_en.htm, analyses by the Vienna Institute for International Studies (WiiW), on the impact of restructuring and economic change in the new Member States of the European Union (enlargement of May 2004).

¹⁰ The *REAGIR* DP is also continuing under the second Round of EQUAL.

network. Overall, the DP served to create new and more competitive farms in the rural areas, stimulated trade, and above all recognised the value of local resources and traditions.

4.2. INTRA-SECTORAL RESTRUCTURING

Although there is a general trend in the shift of employment from agriculture and industry towards services, and from declining sectors of industry towards the more dynamic ones, the main movement still takes place initially within a sector; movements from sector to sector are marginal compared with the internal changes within activity sectors.¹¹ The change that takes place within each sector or alters its contours is therefore referred to as intra-sectoral restructuring.

More skilled and better quality jobs may result from restructuring triggered by technological progress and a trend towards increasing the added value of products. In the event of a change or loss of job within a sector or change to another sector, a person's wage may change substantially, and the implications in terms of skilling, deskilling or retraining are much more important. Until recently, mostly low-skilled workers were affected by this type of restructuring. Nowadays, skilled workers are also feeling the heat of competition and pressure on their jobs. In fact, competition from emerging countries is making itself felt in more and more varied segments of the market¹².

A good example of intra-sectoral restructuring is the *InoCoP* DP insofar as it is addressing the very direct effects of global competition on the Portuguese automotive industry.

DP name: *InoCoP - Innovation and Improvement of the Performance in the Automobile Cluster*

Lead partner: Global Change - Consultores Internacionais Associados Lda, Portugal

The Portuguese automotive industry is not as economically buoyant as it used to be. The surge in international competition has entailed a clear shift in automotive production to Eastern European countries and Asia, and resulted in the shift abroad of whole assembly lines. This movement has affected Portuguese component manufacturers and suppliers, all along the supply chain, and put large numbers of automotive workers at severe risk of redundancy.

Against this background, the *INOCOP*, has been set up in Round 2 of EQUAL with the aim of supporting component SMEs and their most vulnerable workers within the automotive sector. The overriding belief of the *INOCOP* partners is that the implementation of Research and Development (R&D) plans in automotive component manufacturers will enable these companies to introduce technical improvements and give them a greater vocation for the development and engineering of more advanced products, thereby allowing the whole automotive sector to be more cohesive and competitive. Moreover, this emphasis on R&D and technological innovation will provide a clear area and impetus for upskilling SME workers in the sector, thereby improving their employment prospects.

INOCOP has come up with an original and innovative idea: adopting and developing inter-sectoral Communities of Practice (CoPs). The CoP model involves bringing staff from different automotive SMEs together with other industry representatives and experts to *jointly* develop new business solutions, ideas and products. Through a stepped process of knowledge-sharing, validation by experts and 'market-testing', the CoPs have provided a robust and facilitated process of R&D for the automotive component sector, increasing the competitiveness of these at-risk businesses, as well as their vulnerable employees.

¹¹ *Restructuring and employment forum*. Background document (see reference on page 1).

¹² CEPII (2004) - report for DG Enterprise and industry.

4.3. COMPANY-BASED RESTRUCTURING

Fundamentally, restructuring can always be considered at the enterprise level since a company is the essential unit which becomes affected by wider shifts in the economy and society. It is at the enterprise level that the different types of restructuring can take place, such as changes in the production process, outsourcing, relocation, closure of sites, workforce cuts, mergers and acquisitions.¹³ All of these changes have a direct impact of the workforce, ranging from small adjustments and improvements to their working practices, through to radical retraining programmes so that they can remain employable.

The [Making a Change a Chance](#) DP, set up under the second Round of EQUAL, has taken company-level restructuring as its focus.

DP name: *Muutos voimaksi - Making a Change a Chance*

Lead partner: Institute for Extension Studies, University of Tampere, Finland

Unlike bigger companies that have used scale to adapt to change, it has often been harder for Small and Medium Enterprises (SMEs) to respond to the imperative of restructuring. Without large resources behind them, these smaller businesses have often struggled to respond to the new requirements of a changing marketplace and have been fearful of the competition posed by bigger companies. Given this situation, the *Making a Change a Chance* has chosen to focus on developing the readiness and flexibility of SMEs to respond to changes in the Finnish economy through innovative and comprehensive approaches.

Three sub-projects “Learn, Adapt and Renew”, “Work Capability” and “Contact” have been especially designed by the partnership to give an all-embracing service to SMEs facing structural change. They aim to improve the adaptability of firms by raising the skills and “readiness for change” of their most vulnerable workers.

Learn, Adapt and Renew has entailed providing training to SMEs to help them in setting up an effective management plan and a valid strategy to address critical changes in the economy.

Work Capability has concentrated more on workers at risk of marginalisation, with reduced work capability or with strong rehabilitation needs. A total of 15 enterprises have been involved in *Work Capability*, receiving tailor-made training on subjects such as ergonomics, occupational health, health-related fitness and occupational safety.

And finally, *Contact* has been particularly conceived to help the smallest and most at-risk companies in the area. The sub-project has therefore developed a delivery method that responds exactly to this “micro-enterprise profile”, a method that consists of training that is tailor-made, bite-sized (ranging from half a day to a few days of consultation per company), easy to start with, and finally cheap.

4.4. TERRITORIAL IMPACT OF RESTRUCTURING

The territorial impact of restructuring cannot be overestimated. All of the above types of change can affect whole regions that have hitherto been dependent on particular sectors or industries. In cases where regions are not reinvigorated and unable to adapt, they are prone to economic and social decline, which in turn can exacerbate regional disparities. The situation of the new Member States is particularly pertinent insofar as they are experiencing a period of significant structural change. The [Facilitation of Lifelong Education in Rural Conditions](#) DP illustrates well how a new Member State, in this case the Czech Republic, has sought to mitigate the negative effects of structural change at the regional level.

DP name: Facilitation of Lifelong Education in Rural Conditions

Lead partner: Semily Labour Office

¹³ Draft – preliminary Background document: Restructuring and employment forum (see reference on page 1), p.10

Prior to the 1990s, Semily district (in the North-Eastern part of the Czech Republic) was traditionally based on agriculture and the textile industry. However, since that time, the opening up of markets and increased exposure to global competition, particularly from China, has led to the rapid decline of this thriving economy. And what is now left is a region in transformation, having to adapt in order to remain a prosperous place to work and live. But this transformation has not been easy: local people have lacked the skills and knowledge to take on new jobs in emerging sectors, such as tourism; younger and more qualified people have been moving to nearby towns and cities, leaving more vulnerable and less mobile populations behind; Information and Communication Technologies (ICT) have not been fully embraced owing to their high cost and accessibility; and limited public transport services and infrastructure have formed a major barrier to accessing work and learning opportunities. All of these trends put together have led a growing divide between the urban and rural areas of Semily district, and serious concerns about preserving life in the countryside.

Facilitating of Lifelong Education in Rural Conditions has been set up under Round 2 of EQUAL to help counter these worrying trends. Under the leadership of the Semily Labour Office, the project has established a partnership never seen before in the area, between local villages, and educational, political and expert organisations. Through this partnership, the project has been able to develop a training system that offers courses in foreign languages, ICT, book-keeping, welding and other subjects. The key features of the courses are that they are modular (delivered in short lessons), flexible (timed around work and family commitments), accessible (taking place in nearby and familiar surroundings, such as the local village hall or school), and above all, free. All of these features have proved effective in engaging people who would not otherwise have been open to learning. Moreover, aside from the educational benefits, the courses have had social and cultural value in terms of providing classroom-based opportunities for people to meet and bond. Overall, *Facilitating of Lifelong Education in Rural Conditions* has been able to make learning an important, integral and accessible part of rural life.

5. KEY ROLE OF THE SOCIAL PARTNERS

Since the launch of the new Lisbon Strategy, there has undoubtedly been a heightened emphasis on the role of the social partners in defining and supporting measures that promote economic and social prospects of the EU. Based on the sound principle of partnership, the social partners are viewed as a key contributor and stakeholder in the achievement of the Lisbon goals:

“The role of the social partners will also be vital. Their support will be crucial in areas such as active labour market policies, lifelong learning and anticipating restructuring in industrial sectors.”¹⁴

In terms of restructuring specifically, the importance of social partner involvement is echoed in *Commission Communication on Restructuring and Employment*. The Communication calls for increased European social dialogue and consequent action in relation to anticipating and managing structural change¹⁵ as part of a “second stage of consultation”. This will build on the first-stage consultation which focused on two main areas: company restructuring and European Works Councils.

- In January 2002, the Commission asked the social partners to consider the most effective approaches to dealing with corporate restructuring. This resulted, some 20 months later, in the formulation and publication of good practice guidelines, known as [*Orientations for Reference in Managing Change and its Social Consequences*](#).¹⁶

¹⁴ Communication to the Spring European Council. *Working together for growth and jobs – A new start for the Lisbon Strategy*. (2005).

¹⁵ *Restructuring and employment*. (see a full reference on page 4).

¹⁶ *Orientations for reference in managing change and its social consequences*, 16 October 2003, UNICE, UEAPME, ETUC and CEEP.

However, according to the Commission, there has been inadequate dissemination and practical implementation of the guidelines since that time¹⁷.

- In April 2004, the Commission launched a consultation process to revise the *European Works Council Directive*, a Directive established in 1994 to ensure employee information and consultation on strategic developments and changes in employment prospects in large, multinational companies. European Works Councils were – and continue to be – seen by the Commission as a constructive way of involving employees in the dealing with the challenges and difficulties posted by company restructuring.

Aside from the Commission's own call for increased social dialogue, the social partners themselves are taking action in relation to restructuring, as evidenced by their [Work Programme of the European Social Partners 2006-2008](#). This programme (the second of its kind) is a joint undertaking by European Trade Union Confederation (ETUC), Union of Industrial and Employers' Confederations (UNICE), the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) and the European Association of Craft, Small and Medium-sized Enterprises (UEAPME), which have made a common commitment to "focus on Europe's major economic and social challenges, in order to ensure that the social dialogue at European level deals with the major concerns of Europe's workers and employers"¹⁸ as framed by the Lisbon Strategy. Notable restructuring-related actions within the programme are :

- the joint analysis of the challenges facing Europe's labour markets, including the balance between flexibility and security, and integration of disadvantaged groups. Interestingly, the Commission has since called for an extraordinary Tripartite Social Summit (a EU-level forum between the main Community institutions and social partner delegations) to discuss the issue of 'flexicurity'¹⁹ and demography;
- the completion of the national studies on economic and social dialogue in the 10 new Member States, and extension of these to the EU 15. This work is intended to provide a basis for the second-stage consultation referred to above.

EQUAL has relevant practice on the ground in relation to social dialogue, especially in relation to the engagement, awareness-raising and capacity-building around the effects of restructuring. One such example from Round 2 of EQUAL is the [Alliance for Work](#) DP run by the United Nations Development Programme (UNDP) office in Poland.

DP name: Alliance for Work

Lead partner: United Nations Development Programme, Poland

Before 1990, the Polish city of Łódź and its surrounding region was mainly known for its renowned textile industry. However, due to the shift in production to Asian countries, the textile industry has declined dramatically and now no major textile company survives in Łódź today. Other vital sectors of the local economy such as healthcare and education have also been undergoing profound structural change. The introduction of new technologies and the related demand for new skills, amongst other things, mean that these sectors are having to rapidly adapt in order to survive. This regional restructuring has had a profound impact on local workers. Many of them, especially the most vulnerable, are still not managing to integrate into this new environment, which has pushed the unemployment rate sky-high. Among the most vulnerable, the over 45s are struggling with an exceptionally difficult situation: they are not only dealing with the constant threat of unemployment, but are also facing the negative and often discriminatory attitude of employers to middle-aged workers, which has also included cases of bullying.

¹⁷ Memo MEMO/05/108 Date: 05/04/2005 [Questions & Answers on the European Commission's Communication on "restructuring and employment"](#)

¹⁸ *Work Programme of the European Social Partners 2006-2008*, 23 March 2006, UNICE, UEAPME, ETUC and CEEP.

¹⁹ A term that means balancing the ease of hiring and firing (flexibility for employers) and high benefits for the unemployed (security for the employees).

Alliance for Work has sought to address the precarious position of the Łódź region and particularly the plight of older workers who reside there. It has done so by directly working with OPZZ, the main Polish trade union, FNSZZ, the trade union of the workers employed in SMEs, healthcare employers and employer organisations such as the Craft Chamber (as well as other partners). These and other partners have created a forum for social collaboration and dialogue, which has become a first for partnership-based work in the region.

A key outcome from the forum discussions has been that discriminatory practices towards the over 45s were often linked to the common belief that recruiting new staff is more 'convenient' than investing in older workers. In addition, employers held a negative stereotype of older workers as being unwilling to learn, which made them more reluctant to invest in new training. Against this backdrop, *Alliance for Work* has been able to develop a programme of employer awareness-raising and devise a new job-coaching system for the over 45s backed by local firms.

Another relevant outcome from EQUAL has been the Social Partner seminar held in Belgium in May 2006. This event specifically brought EQUAL representatives and social partners together to discuss a number of themes, including restructuring. Key messages from the seminar were that:

- pre-existing networks are essential insofar as they can pro, rather than reactively anticipate and manage change;
- restructuring policies must be sufficiently flexible to allow for 'unexpected' changes; and
- tools and structures should not be limited a particular period of or company in crisis; they should be established on a more permanent basis to deal with on ongoing restructuring challenges.

Further information on this event and its key messages can be found on the EQUAL website's ['News' section](#).

6. EU-LEVEL INITIATIVES

Aside from Commission Communications previously cited in this paper²⁰, the Commission has also set up and/or conceived a number of initiatives to monitor, address and co-ordinate restructuring developments at EU level. These initiatives are worth examination since they form an important source of information, as well as a dissemination outlet for EQUAL DPs.

6.1. EUROPEAN MONITORING CENTRE ON CHANGE

Since its inauguration in October 2001, the European Monitoring Centre on Change has been a place for exchanging practice, information and ideas on the management and anticipation of change. As such, it has provided a 'focal point' for companies, social partners, national and regional authorities, and European agencies alike to monitor and keep abreast of critical developments and their likely impact at company, sectoral and territorial levels, whether they be due to, for example, changes in legislation, emerging new technologies, or the introduction of new business practices. This focal point is presented in the form of a website and online portal where integrated sources of information can be accessed, along with benchmarking tools, economic data, statistics and forecast studies, and opportunities for exchange.

6.1.1. European Restructuring Monitor

The European Restructuring Monitor (ERM) has existed since 2003, under the auspices of the European Monitoring Centre on Change, to provide up-to-date news and analysis on company restructuring, sectoral developments and their employment consequences in the 25 EU Member States, as well as Romania and Bulgaria. The ERM comprises three main components: Fact

²⁰ *European values in the globalised world and Restructuring and employment*. (for full references, see pages 3 and 4).

Sheets; ERM Quarterly report; and Statistics and thus plays a pivotal role in producing quantitative and qualitative analysis and monitoring of restructuring trends.

The ERM hosts the records of all industrial restructuring cases that affect at least one of the 27 countries, and entail an announced or actual reduction or creation of at least 100 jobs²¹. The ERM information is based on the daily press analysis, undertaken by the Monitor's network of correspondents. Each case of industrial restructuring is presented in the form of a standardised Fact Sheet, which thus allows for the compilation of quantitative statistics and comparative analyses based on a range of criteria.

The ERM Quarterly report summarises the restructuring trends and effects on employment not only in terms of quantity, but also in terms of the quality of jobs. These quarterly reports are complemented by the statistical functionality of the ERM which enables users to compare the scale of the job redundancies per country, sector and/or type of restructuring.

The Monitor acts both as a statistical tool and an early warning mechanism for all actors involved in the process of anticipating and managing change. It provides a detailed analysis of a limited number of company restructuring procedures each year and a critical source of information for the identification of sectors and countries that are likely to undergo a phase of severe restructuring in the short to medium term.

6.2. RESTRUCTURING FORUM

The Restructuring Forum was launched by the European Commission as a high-level group of actors and stakeholders working in the relevant areas of change anticipation and management, ranging from European and national institutions, through to local authorities and social partners. The Forum's overall mission was to provide an EU-wide gathering to frame, support and ultimately build upon initiatives and policy measures that existed at the time in response to the challenges posed by restructuring.

The first meeting of the Forum took place on 23 June 2005, and comprised an agenda focusing on the viewpoints of the social partners and European institutions. It also looked at restructuring from the local and business perspective by discussing good practice examples of local partnership-working for change. Notable conclusions from this Forum were the shortcomings and required improvements in tools that exist for the analysis and monitoring of restructuring trends. This was combined with a particular call for the involvement of statistical experts, as well as networks and observatories of national experts, in efforts aimed at anticipating and managing change.

The Forum has met a second time since its inaugural meeting. This meeting held on 18 July 2006 took a particular angle by focusing specifically on the sectoral dimension of restructuring, centred around the *Commission Communication Implementing the Community Lisbon Programme: A Policy Framework to Strengthen EU Manufacturing – towards a more integrated approach for Industrial Policy*²². Some interesting observations and points of discussion came out of the meeting, including:²³

- Restructuring should be seen as the norm, rather than a response to a crisis situation. Change is inevitable, and as such, there should be an emphasis on prevention (anticipation), rather than cure (reaction).
- Permanent dialogue between all the key stakeholders is critical to understanding and identifying what the enterprise, sector, profession etc. should be doing within the context of restructuring. Ongoing dialogue between the social partners is at the heart of this approach.

²¹ For more detail, see: <http://www.emcc.eurofound.eu.int/erm/>

²² European Commission *Implementing the Community Lisbon Programme: A policy framework to strengthen EU manufacturing - towards amore integrated approach for industrial policy*, COM(2005) 474 final. Brussels, 5.10.2005

²³ Minutes of the Forum meeting had not been published or made available at the time.

- How do financial and legal instruments figure in the 'restructuring equation'? For example, how should ESF funds be targeted? How can ESF and ERDF funds be coordinated to best effect? How and when should regulatory intervention be used?
- It is important to define and understand the role of different stakeholders, including those operating on a sectoral or regional level. What part do they play? How can they best work together, both at the strategic and operational levels?
- Managing change IN the workplace should not be forgotten. What strategies and practical measures can be put in place as part of the day-to-day running of the business to help deal with the challenges of restructuring?

Looking ahead, a further meeting of the Restructuring Forum is planned in early December 2006, addressing the topics of 'flexicurity' and the territorial dimension of restructuring. Moreover, it is anticipated that the meeting will include a session on the lessons and good practice from EQUAL and the ESF Article 6 programmes. This provides an ideal opportunity for EQUAL and Article 6 actors to contribute directly to the EU-level restructuring debate.

6.3. EUROPEAN GLOBALISATION ADJUSTMENT FUND

The proposal for a [European Globalisation Adjustment Fund](#)²⁴ marks a considerable financial investment and commitment from the European Union in support of measures aimed at addressing the negative impacts of major restructuring events caused by globalisation. The fund – for which EU legislation is currently being discussed – will provide up to 500 million euro a year to help reintegrate into the labour market workers made redundant due to changing patterns in global trade.

The new Fund will complement existing policies and financial instruments, including the Community policies aiming at anticipating and accompanying restructuring. This, it will do by combining a territorial dimension with specific and targeted assistance, focused exclusively on personalised support for the re-integration into employment of workers adversely affected by the evolution of international trade patterns. Through the Fund, the EU will co-finance a coordinated package of services designed and delivered by the applicant Member State to meet the needs of the workers affected by the redundancies. The services include the combination of active employment measures such as job-search and relocation assistance, re-training and in-work temporary allowances, with the view to enabling the workers concerned to transit from one job to another with the shortest possible duration of unemployment.

7. ONLY A STARTING POINT...

The *Commission Communication on Restructuring and Employment* concludes that "restructuring must not be synonymous with social decline and a loss of economic substance. On the contrary, restructuring can underpin economic and social progress – but only if such measures are correctly anticipated, and provided firms can manage the necessary change quickly and effectively, and provided public action helps ensure that the change is carried out in sound conditions."²⁵

This conclusion highlights perfectly where EQUAL sees its role in addressing the challenges and potential opportunities of restructuring. EQUAL DPs *are* developing anticipation measures, *are* looking into ways to manage change within companies, and *are* engaging public actors based on principles of partnership. Overall, EQUAL is generating some interesting insights and messages for practitioners and policy makers alike. And probably the most notable of these – even if the research and analysis of EQUAL is still ongoing – is the critical importance of partnership-based interventions to deal with structural change. Systems and structures that actively engage and

²⁴ The Heads of State or Government agreed to establish the European Globalisation Adjustment Fund at the European Council of 15-16 December 2005.

²⁵ *Restructuring and employment* (for full references, see page 4).

draw on the input of actors, both within and outside of the business, are essential to constructive and socially responsible restructuring.

To delve deeper into these and other insights, DG Employment, Social Affairs and Equal Opportunities (DG EMPL) has recently commissioned a detailed piece of research and analysis of EQUAL DPs and ESF Article 6 projects in relation to restructuring. The outcome of this work will be a series of policy recommendations and good practice case studies for presentation at the (aforementioned) December 2006 meeting of the Restructuring Forum. Clearly, the launch of this work means that this background paper is only a starting point. Indeed, EQUAL and ESF Article 6 have plenty more to offer to the restructuring debate!

Invitation: If any representatives from the EQUAL and ESF Article 6 programmes would like to contribute good practice examples and/or policy view points as part of the above-mentioned research and analysis, they are invited to contact Mr Stig-Hansen Norgaard, DG Employment, Social Affairs and Equal Opportunities Stig-Hansen.NORGAARD@cec.eu.int. Contributions must be made by mid October 2006 at the latest.