DG Employment, Social Affairs and Inclusion:

“Comparative overview analysis of the ways in which the restructuring phenomenon is dealt with worldwide”

Anticipation and Management of Restructuring in the European Union

by

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Preface

The purpose of this report is to present a rather concise overview of major trends of restructuring in the European Union. As indicated and illustrated throughout this paper, our report hereby can rely on quite a large number of comparative and EU level studies, analyses and information on the topic that have been produced in reaction to the increased reference that has been made by the European Commission and namely the Directorate General responsible for employment, social affairs and inclusion after the publication of a Communication on the issue of restructuring and employment in 2005.

With regard to the term restructuring, our report is following also the routes of definition that has been used by the European Commission: The term restructuring not only refers to change, re-organisation and adjustments made at company level and at the micro level but also addresses economic change at different level, e.g. in trade patterns, sectoral development, employment development and relationships etc., i.e. trends that often are referred to as “structural” economic, employment and social change.

The structure of this paper follows the standards set out in the guideline documents provided by project coordinators:

The first section is concerned with the political, economic and labour market framework within the European Union focussing in particular on major trends in economic, employment and social development. The chapter also presents a brief summary of political frameworks of economic and labour market policy and managing change at European as well as national level.

In the second section, the variety of national industrial relations system and the role of various stakeholders in general and with view on restructuring process is described and addressed. This chapter also includes three cases of good and exemplary practice on positive ways of addressing, dealing with and managing the consequences of restructuring at corporate level as well as territorial level.

Finally, the third chapter offers a summary and draws conclusions some conclusions with regard to major challenges.

It should be noted that this report is based mainly on already existing knowledge and research experience conducted by the two authors in the context of different European projects. It also draws on many other sources of academic research and collaboration on restructuring in Europe.
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1 Political, economic and labour market context and frameworks

1.1 Basic economic and labour market data

1.1.1 Political organisation and basic economic and social orientations

The evolution of what is today the European Union (EU) from a regional economic agreement among six neighbouring states in 1951 to today’s hybrid intergovernmental and supranational organization of 27 countries across the European continent with more than 500 million inhabitants stands as an unprecedented phenomenon in the annals of history.

Although the EU is not a federation in the strict sense, it is far more than just a free-trade association, and it has certain attributes associated with independent nations: Its own flag, currency (for some members), and law-making abilities, as well as diplomatic representation and a common foreign and security policy in its dealings with external partners.

Basic common values and aims of the European Union are laid down in the Treaty of Lisbon that entered into force on 1st December 2009:

*The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail. (Art. 2)*

*The Union’s aim is to promote peace, its values and the well-being of its peoples. (Art. 3.1)*

*The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.*

*It shall promote scientific and technological advance. It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States. (Art. 3.3)*

Some basic figures on the European Union:

- The EU has the world’s third largest population after China and India
- With just 7% of the world’s population, the EU’s trade with the rest of the world accounts for around 20% of global exports and imports.
- The EU is the world’s biggest exporter and the second-biggest importer. In 2005, the EU accounted for 18.1% of world exports and 18.9% of imports. While around two thirds of EU countries’ total trade is done with other EU countries, the United States is the EU’s most important trading partner, followed by China.
- The internal differences in per capita GDP income among EU member states are huge from 4,700 in Bulgaria to 75.700 € in Luxembourg (2009 figures, PPS).
- Also regarding other economic and social indicators, e.g. employment and unemployment rates, labour productivity, educational attainment, social expenditure etc. the varieties within the European Union are enormous and documented elsewhere.¹

¹ Apart from the comparative tables in the data annex, see for example the 5th Cohesion Report, published by the EU Commission in 2010.
Since 2000, the EU has adopted common strategic orientations for economic and social development: In June 2010, the Heads of State or Government of the Member States adopted the Europe 2020 strategy, the plan with which the European Union will take on these challenges in the coming decade.

Europe 2020 has replaced the Lisbon Strategy which expired in 2010. Ten years before, at the Lisbon Summit in 2000, the European governments agreed on the ambitious goal of „making the Union the most competitive and dynamic knowledge-based economic area in the world capable of sustainable economic growth and more and better jobs and social cohesion“. The new Europe 2020 strategy will (partly) draw on and move forward from the Lisbon Strategy but will also set new priorities with its objectives.

The aim of the Europe 2020 strategy is to realise the sustainability 'triad' of economic success, social cohesion and environmental responsibility (see textbox).

The three pillars of the Europe 2020 strategy

**Smart growth** - an economy based on knowledge and innovation: Knowledge and innovation are to drive future growth in Europe. This will require improving the quality of our education systems, strengthening our research performance, promoting innovation and knowledge transfer throughout the European Union, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth and quality jobs.

**Sustainable growth** - promoting a more resource-efficient, greener and more competitive economy: This priority is aimed at helping the European Union to prosper in a low-carbon, resource-constrained world while preventing environmental degradation, biodiversity loss and unsustainable use of resources. It will also underpin economic, social and territorial cohesion.

**Inclusive growth** - a high-employment economy that delivers economic, social and territorial cohesion: Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society. People are to be ensured more access and opportunities throughout their entire lifecycle. Policies to promote gender equality are also to contribute to this by integrating women in particular to a greater degree into the labour force.

In order to make progress in achieving these overall goals, a number of strategy indicators were defined for different policy fields such as employment policy, R&D policy, education, social policy and environmental policy.

**Table 1: Europe 2020 strategy indicators**

<table>
<thead>
<tr>
<th>Policy field</th>
<th>Employment</th>
<th>R&amp;D / Innovation</th>
<th>Climate Change/Energy</th>
<th>Education</th>
<th>Social exclusion/inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
<td>Employment rate, aged 20-64</td>
<td>Expenditure on R&amp;D (% of GDP)</td>
<td>Greenhouse gas emissions (1990 = 100)</td>
<td>Renewables share of final energy consumption</td>
<td>Energy intensity (million tons of oil equivalent)</td>
</tr>
<tr>
<td>2009</td>
<td>69.1</td>
<td>2.0</td>
<td>88.7</td>
<td>10.3</td>
<td>167.1</td>
</tr>
<tr>
<td>Target</td>
<td>75</td>
<td>3.0</td>
<td>80</td>
<td>20</td>
<td>20% decrease</td>
</tr>
</tbody>
</table>

*Source: Eurostat*
1.1.2 **Main Economic Features**

**GDP Development**

The figure below illustrates the significant gaps in GDP per head within the EU27. According to the 5th EU cohesion report, three broad groups of countries can be identified: The “highly developed” countries consisting of most “older” European member states; a group of “moderately developed” countries consisting of Southern European member states plus Slovenia and finally a group of “less developed” countries that is containing the new member states in Central and Eastern Europe.

![Figure 1: GDP per head (PPS), 2008](source)

Over the period 2000 - 2010, real GDP growth in the EU averaged 2.7% which means that the target of the Lisbon strategy (3% growth) was missed. Developments at European level hide marked differences across and within countries, with an overall catching-up trend in new member states benefiting the wider European economy, while some of the biggest continental European economies have been struggling with weak economic growth during the last decade such as Italy (0.7%), Germany (1.1%) or the UK (1.7%).

The following figure illustrates that growth in the less developed Member States was particularly high between 2002 and 2008 — almost three times higher than in the highly developed ones. Growth in the moderately developed Member States was also much higher than in highly developed ones, so that as the overall gap in GDP per head between the most and the least developed countries narrowed.

![Figure 2: Growth of GDP per head in real terms, 2000-2011](source)
The 2008 economic and financial crisis and recession brought about sudden and substantial drops in the GDP and on average the EU27 GDP shrunk by -5.6% in 2009. The economic effects of the crisis hit the EU countries not evenly – there were significant differences in the GDP development in the years 2008 (ranging from -5.1% in Estonia to more than 9% in Romania and more than 6% in Slovakia and Bulgaria) and in 2009 (-18% in Lithuania and 1.7% in Poland). The following charts illustrate the negative and sometimes dramatic effects on national economies and labour markets over the period from the second quarter of 2008 to the second quarter of 2010.

Figure 3: Change in GDP for EU Member States from 2008q2 to 2010q2


TRADE FIGURES

The trade in goods between the EU and the rest of the world grew significantly up until the recent crisis. Between 1999 and 2008, exports to third countries increased from 8% of EU GDP to 10.5%. Imports from outside the EU rose even more, from 8.5% of GDP in 1999 to 12.5% in 2008, the trade deficit widening over the period. In 2009, the recession, led to imports declining more than exports and thus narrowing the trade deficit.

This increase in trade in goods reflects growing globalisation. The growth consists in large part of intra-sectoral and intra-firm trade, as major firms increasingly locate different parts of production in different parts of the world. This more dispersed production system at the same time increases the demand for logistics and ordering and control systems.

Such a process creates both opportunities and threats for EU regions. The sectors where the EU has become less competitive include textiles, metals and electric and optical equipment. The fourth Cohesion Report highlighted the challenge of globalisation to regions specialised in vulnerable sectors. A follow-up study, however, indicated that although the EU is losing employment in the sectors concerned, these losses tend to be concentrated in the less specialised regions. Many, but by no means all, regions specialised in vulnerable sectors have, therefore, been able to move up the value chain to higher value-added activities such as high-end production, niche markets or high-tech products. This has often allowed them to maintain employment and increase output.

Nevertheless, some regions have not been able to move up the value chain and have lost markets by competing for low-cost and low-quality products with emerging economies outside the EU. This highlights the critical role of investment in human capital, entrepreneurship and a favourable
business environment and the problems created by delaying restructuring and failing to encourage a move to activities where regions have the potential to develop a new comparative advantage.

The service sector has also witnessed strong trade growth. Indeed, the EU has a larger market share of services than of goods — 20% of the global market as against only 13% in 2007. Between 2003 and 2008, exports of services rose from 3.4% to 4.2% of GDP, while imports grew from 3% to 3.5%. In some specialised countries, exports far exceeded the EU average in 2008. For instance, Luxembourg (31.6% of its GDP) and Ireland (13.3%) have large trade surpluses in services thanks to financial services and Cyprus (18.1%) and Malta (10.6%) thanks to transport services.

In contrast to goods, where the trade deficit widened from 2003 on, the surplus on trade in services expanded, especially after 2005. Trade in services has also been less affected by the economic crisis.

The increase in the trade surplus on services has boosted output and employment in financial and business services and logistics. Regions which have gained most from the growth of these exports tend to be highly specialised in the services concerned, be the locations of international headquarters and have strong transport connections to other parts of the world.

A second group of regions has also gained from increased trade in goods and services and, in particular, from the stimulus to restructure faster and focus on higher value-added activities. As a result, productivity growth has tended to be higher in traded goods and services than in regions less linked into the global market and with a smaller share of employment in the sectors concerned. Regions can clearly gain from the increasing integration of global trade by raising the skill and technological content of their activities and using their specialisation to diversify into related areas.

Intra-EU trade has become increasingly important for the countries which joined the Union in 2004 and 2007 (the EU-12). In 2000, exports of goods of the EU-12 countries to each other and to the EU-15 amounted to 27% of their GDP. In 2008, this had risen to 35%. At the same time, their imports of goods from other EU Member States rose from 30% of GDP to 38%.

Trade increased markedly in countries that were already export oriented, such as the Czech Republic, where trade to the rest of the EU rose from 44% of GDP to 58% over the period, but also in the less export oriented, such as Poland, whose exports to the rest of the EU rose from 15% of GDP to 25%.

Flows between the EU-12 and EU-15 almost doubled between 2000 and 2008. Exports from the EU-12 to the EU-15 rose from 1% of EU-15 GDP to 2% and exports from the EU-15 to the EU-12 increased by more (from 1.4% of EU-15 GDP to 2.4%), reflecting the higher growth of the latter countries.

**FOREIGN DIRECT INVESTMENT FLOWS**

Inflows of foreign direct investment (FDI) averaged 4.6% of GDP in the EU over the period 2004–2008 and FDI outflows, 6.1% of GDP. The EU, therefore, invested more abroad than foreign companies in the EU. Inflows, however, substantially exceeded outflows in all the countries which joined the EU in 2004 and 2007. FDI has, in fact, proved an important engine of growth in these countries. FDI flows from the EU-15 amounted on average to 4.5% of GDP in the EU-12 Member States. In Bulgaria, net inflows averaged over 20% of GDP, in Malta, over 13% and in Romania, Estonia and Latvia, over 5%. In the EU-15, inflows exceeded outflows only in Belgium and Finland and in all the other countries, the reverse was the case. FDI is volatile and highly sensitive to the economic cycle. It contracted markedly in the economic crisis and ensuing period of uncertainty about economic prospects. Both inflows and outflows declined much more than GDP in 2009. Total FDI inflows amounted to just under 3% of GDP in 2009 and net outflows to around 4%, well below the annual average for the years 2004–2008.
The 2008 crisis hit those Member States with significant net inflows in particular, net FDI to the EU-12 countries declining from over 5% of GDP in 2007 to less than 1.5% in 2009. In Bulgaria and Estonia, the decline relative to the 2004-2008 average was over 10 percentage points of GDP.

With enlargement and the opening up of employment opportunities in the EU-15 to people in the EU-12, remittances from the former to the latter have grown markedly as people have moved to take up jobs in the EU-15. The total sum of intra-EU remittances amounted to over EUR 44 billion in 2008.

Bulgaria and Romania were by far the largest recipients of net remittances from other parts of the EU. In 2008, these amounted to EUR 5.7 billion, or 4.2% of GDP, in Romania and to EUR 1.5 billion, 4.5% of GDP, in Bulgaria. Remittances are, therefore, an important source of income for households in the two countries. Over 80% of remittances to Romania were sent from Italy (EUR 2.5 billion) and Spain (EUR 2 billion) and some 55% of those to Bulgaria from Germany (EUR 450 million) and Greece (EUR 425 million). The other countries where remittances were significant were the three Baltic States (between 1.2% and 1.8% of their respective GDPs) and Poland (1.4% of GDP).

In the main countries from which remittances were sent, Germany, Italy and the Netherlands, the sums involved amounted to less than 0.2% of GDP. Remittances grew rapidly in Romania from 2004 to 2007, by around EUR 1 billion a year. As a result of the crisis, however, they remained unchanged in 2008 and fell markedly in 2009. The increase before the crisis was also substantial in Lithuania and Poland. In Romania and Lithuania, remittances were 40% lower in the first three quarters of 2009 than in the same period in 2008. This reduction was less in Bulgaria, Poland and the two other Baltic countries (around 15% or less). These differences reflect the non-uniform effect of the crisis on jobs in the countries from which the remittances were sent. Job losses were substantial in Spain (which accounts for a third of Romanian remittances) and, because of the decline in construction, hit migrant workers especially. By contrast, job losses have been relatively small in Germany from where 30% of Bulgarian remittances come.

1.1.3 MAIN LABOUR MARKET FEATURES

JOB CREATION AND RESTRUCTURING

Between 2000 and 2008, the EU27 experienced a steady and continuous net expansion of employment with 16.6 million jobs created before the 2008 crisis hit the European labour market abruptly and 4.2 million jobs were destroyed between 2008 and 2009. Behind these aggregate developments lies a dynamic of gross job creation and destruction: Until the crisis, it is estimated that every year between 5 to 8 % of total jobs are newly created while between 3 to 4% of all jobs
are destroyed. This illustrates that important re-allocations across sectors and companies are taking place.

The following features of job creation and destruction are particularly striking for the decade until the 2008 crisis:

- SMEs, in particular micro-enterprises, and young companies represent the highest rate of net job creation;
- it is also among these companies that job re-allocations are the highest;
- the ongoing shift towards employment in services has continued/accelerated in recent years; between 2000 and 2009 the share of services in total employment increased from 65.9% to 70.4%;
- employment creation has been particularly dynamic in business services, health and social work, education, and hotels and restaurants
- on the other hand, employment in manufacturing declined significantly during the last decade; the respective share declined from 26.8% to 24.1%.
- also the share of agriculture which in many EU countries still is significant (in particular in Romania with more than 30% and Bulgaria with around 20% of total employment, also high shares with more than 10% in Greece, Portugal and Poland) is characterised by a decline from 7.3% in 2000 to 5.6% in 2009.

The 2008 economic and financial crisis and recession brought about sudden and substantial drops in employment in most European countries. As a result, employment in the EU declined by 2.5% (5.6 million) by the second quarter of 2010 when compared with the second quarter of 2008.

Whilst the employment situation deteriorated across the EU Member States as a whole, there were substantial variations in performance. Employment losses were particularly severe in Spain (-9%), the Baltic States (Estonia, -15%; Latvia, -19%; and Lithuania, -13%) and Ireland (-12%) reflecting sharp declines in economic activity. By contrast, Poland continued to experience employment and economic growth and other Member States including Belgium, Luxembourg Austria, Sweden, France, the Netherlands and Germany along with the micro states of Malta and Cyprus experienced much less dramatic declines.

Figure 5: Change in employment in EU member states from 2008q2 to 2010q2

1.1.4 Demographic Trends, Mobility and Other Features

Under current trends, increasing life expectancy and declining birth rates in the EU should result in an ageing population and declining workforce. Current demographic projections show that the working age population (15-64 years) will decrease by around 15% in the EU over the next 50 years. This is particularly the case in some of the member states from Central and Eastern Europe and some bigger member states. As a result, Europe is expected to change from a society with four working-age people for each person over 65 towards a ratio of 2 to 1 in 2050.

As the European Social Partners’ highlighted in their joint labour market analysis, dated 2007:

> Unless the appropriate measures are put into place, the combination of more pensioners and fewer contributors will have implications for the financial sustainability of pension and health care systems. Wider economic consequences could also be expected ranging from declining growth potential to a worsening skills gap as the process of renewing the workforce’s skills through young people entering the labour market will slow down. Nevertheless, the average level of education will continue to increase, notably under the effect of older workers with relatively lower education leaving the labour market. The challenges are to widen the base for financing the social protection systems, increase employment rates, in particular for women and older workers, and stimulate productivity.2

Levels of job mobility vary across member states. According to recent surveys on the change of employer, an average of 8% of European workers have made a transition from one job to another within the last year, while 33% have changed employers at least once in the last five years and 50% in the last ten years. In EU, the average number of jobs per worker to date was 3.9, ranging from 5 to 6 in Scandinavian countries to 2.9 in Austria, Slovakia, Malta, Slovenia.

1.1.5 Educational Attainment and Lifelong Learning Trends

There is a broad consensus within the EU today that comprehensive lifelong learning strategies and better investment in human resources are necessary to respond to rapid change and increase competition. Lifelong learning and the continuous adjustment of competences and needs is an increasingly crucial factor both for the competitiveness of firms and the long-term employability of workers. High quality initial education, broad key competences and continuous investments in skills improve enterprises’ opportunities to cope with economic change and workers’ chances of staying employed or finding new employment. From the point of view of the EU Commission and national governments high participation in lifelong learning is positively associated with high employment and low (long-term) unemployment. Against this background, the EU Commission has defined benchmarks in the field of lifelong learning as well as in educational attainment as important objectives in the context of the Europe 2020 strategy as described above. In regard to educational attainment, the target has been set that by 2020 at least 40% of the population aged 30-34 having completed a university or similar education level.

The comparative data of the figure below shows that nearly a dozen countries are meeting the 2020 target already today; there are also 12 countries as well as the two candidate countries that are clearly below the target with shares of tertiary education levels 30% or below.

Even larger are the gaps between European countries in regard to lifelong learning or continuous vocational education indicators as the table below shows: In regard to participation rates in lifelong learning, only the Nordic countries Denmark, Sweden and Finland show rates of more than 20% with Denmark the only country having had a participation rate in LLL of more than 30%. Most European countries are below the EU average of only 9.3%, including 9 countries that only have participation rates of less than 5%.

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2 EU SPs, Joint labour market analysis, p. 14.
Against these figures, it becomes clear that Europe as a uniform geographical entity is far away from the aim of being or becoming knowledge-based economic area. The overall picture is rather like a patchwork of at least three quite different groups of countries: A first group consisting in particular of the Nordic countries but also the Netherlands, the UK and Luxembourg as a top group in regard to educational attainment as well as lifelong learning participation. Apart from this top group, the situation in most of the Continental and central European countries can best be described as “average” while the situation in quite a large number of countries (all CEEC plus candidate countries and Greece) has to be described as seriously insufficient.

1.2 Major macro-economic trends, structural change and restructuring

1.2.1 General Trends

One of the most significant general trends in the EU was the shift in share of GDP and of employment from manufacturing to services. Whilst it is clear that there has been a substantial change in the sectoral structure of employment, the data has to be assessed with a degree of caution. The generally noted shift in employment concentration from industry to services is, at least in part, associated with the outsourcing of activities like cleaning, security, cafeteria and restaurant services and IT from manufacturing enterprises to those defined as specialist service providers. Where new jobs have been created, how they compare qualitatively and quantitatively with the jobs lost, is an important consideration. Small and medium sized enterprises have experienced huge employment growth in recent years and have acted as “shock absorbers” in the restructuring process.

Analyses of SME development during the 2008 crisis show relevant differences as the table below illustrates. Overall, on a majority of countries both the number of SMEs and their share of total employment have decreased or did not change significantly.

Table 2: Change in the number of SMEs and in their employment share (2007 to 2009)

<table>
<thead>
<tr>
<th></th>
<th>Decrease</th>
<th>No significant change</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SMEs</td>
<td>CY; CZ; EE (medium size); FR; HU; IE; ES (micro)</td>
<td>BE; BG; EE; PT; ES</td>
<td>DE; NL; NO; PL</td>
</tr>
<tr>
<td>Number of employees in SMEs</td>
<td>BE; CY; HU; IE (service); NO; PT; ES; BG (medium size)</td>
<td>BG; CZ; DE; NL; PL; EE</td>
<td>EE (micro)</td>
</tr>
</tbody>
</table>

Source: Eurofound 2011: SMEs in the Crisis, based on EIRO national reports
The database set up by the European Restructuring Monitor (ERM) of the European Monitoring Centre of Change (EMCC) allows analyzing the relevance of the different forms of restructuring since 2002.

Table 3: Types of restructuring

<table>
<thead>
<tr>
<th>Type of restructuring</th>
<th>(A) 1Jan2002 to 31 Dec2007</th>
<th>(B) 1Jan2008 to 31 Dec2010</th>
<th>Change = [(B) - (A)]/(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td># Cases per year (average)</td>
<td>% Cases per year (average)</td>
<td># Cases per year (average)</td>
<td>% Cases per year (average)</td>
</tr>
<tr>
<td>Internal restructuring</td>
<td>420,7</td>
<td>36,5%</td>
<td>750,7</td>
</tr>
<tr>
<td>Business expansion</td>
<td>412,0</td>
<td>35,7%</td>
<td>445,3</td>
</tr>
<tr>
<td>Bankruptcy / Closure</td>
<td>177,3</td>
<td>15,4%</td>
<td>114,7</td>
</tr>
<tr>
<td>Offshoring / Delocalisation</td>
<td>65,0</td>
<td>5,6%</td>
<td>96,7</td>
</tr>
<tr>
<td>Merger / Acquisition</td>
<td>38,0</td>
<td>3,3%</td>
<td>76,7</td>
</tr>
<tr>
<td>Relocation</td>
<td>29,0</td>
<td>2,5%</td>
<td>56,0</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>7,7</td>
<td>0,7%</td>
<td>26,3</td>
</tr>
<tr>
<td>Other</td>
<td>4,3</td>
<td>0,4%</td>
<td>19,0</td>
</tr>
<tr>
<td>Closure</td>
<td>0,0</td>
<td>0,0%</td>
<td>7,0</td>
</tr>
<tr>
<td>Bankruptcy</td>
<td>0,0</td>
<td>0,0%</td>
<td>5,0</td>
</tr>
<tr>
<td>Total</td>
<td>1154,0</td>
<td>100,0%</td>
<td>1597,3</td>
</tr>
</tbody>
</table>

Source: Own calculation based on ERM database

These figures suggest that:

- There are more cases of restructuring per year after 2008 than before that year;
- Internal restructuring, either before or after 2008, is the major form of restructuring on the countries with surveyed by the EMCC taken together;
- The number of cases of bankruptcy/closure decreased after 2008;
- Outsourcing and merger/acquisition are the two specific forms of restructuring with higher increases after 2008.

One of the most highly media-publicised forms of restructuring in enterprises in the European Union involved offshoring, or international relocation. At first review, the true incidence and impact of offshoring appears to be much less significant than press accounts would suggest.

The above data show that offshoring, although increased after 2008, still represents less than 10% of the total cases of restructuring surveyed by the EMCC. According to the same source, the planned job reductions due to offshoring or delocalization represent only 3.2% of the total.

However two issues relating to the extent and effect of offshoring are often not considered: The fact that a number of high profile enterprises have offshored major activities, and this has been covered extensively in the media, has resulted in the “perceived threat” of offshoring amongst Europe’s workers being heightened. On the one hand enterprises are more likely today to seriously review offshoring options and to benchmark international costs of manufacturing and service provision. On the other, workers are more likely to discuss internal restructuring as the result of their increased perceived threat of job loss. A similar phenomenon is associated with the threat of “private equity take-over”. The private equity industry has become an extremely important player in the global economy and private equity enterprises have been at the heart of a number of major restructuring exercises.
With regard to restructuring trends in SMEs, it is often suggested that small and micro enterprises no longer grow into successful medium to large sized enterprises in the way they used to. However, the fact that small and micro-enterprises are less likely today to increase employment substantially, does not mean that they do not grow in revenue terms. Successful small entrepreneurs are less likely today to expand into substantial manufacturing enterprises. They are much more likely to outsource this activity, often to the lowest cost manufacturer abroad. There was a considerable amount of anecdotal evidence of this from the national seminars - and this activity takes place under the restructuring radar.

A final and important factor in the examination of restructuring in the EU over the period prior to the current crisis is that the financial nature of the management of redundancies has changed. Twenty years ago, organisations that made people redundant generally did so because the enterprises involved were in financial difficulty or were bankrupt. Today profitable enterprises make decisions on job losses more frequently because they wish to retain their competitiveness by shifting the location of production to more cost effective outsource providers, regions or countries.

It should be noted here, that the public sector also has been a major field of restructuring triggered by several factors and driving forces: Apart from privatisation and deregulation, public sector performance, cost and productivity is often highlighted either as current or future restructuring priorities. Pressures on the public purse resulted in a series of national initiatives to make the public sector more efficient and more effective.

At the same time there were considerable upward pressures on spending on pensions, health and education; and ageing populations, new technological possibilities in healthcare and the skills demands of knowledge economies were adding to the need to control and redistribute public spending. These factors combined with the implementation of national and European legislation driven competition generation agendas in public services.

Another relevant perspective on restructuring is the link between employment and wages’ evolutions.

As illustrated in the figure below, changes in net employment creation and employment destruction before and after the current crisis, show that the lower and lower-middle paying jobs are the groups with lower net employment before 2008 and with the stronger negative change at present.

Figure 7: Changes in EU employment levels by wage quintile, 1998-2007 and 2008q2 2010q2 (thousands)

This evolution the EU as a whole is made of very different national trends. Data discussed in a recent study show that in 22 out of 27 Member States the employment-losing quintiles outnumber the employment–gaining ones. The countries where this is not the case are The Netherlands, Poland, Germany, Belgium and Cyprus.
1.2.2 Structural change and restructuring in the CEEC member states

For the EU member states in Central and Eastern Europe the privatisation of previously state controlled enterprises that commenced in the early 1990’s was the start point for continuing economic restructuring on a massive scale. Not all of the countries approached privatisation in the same manner, nor did they pursue it at the same speed. Consequently, today they are not in the same position vis-à-vis the remaining challenges of privatisation.

In most countries progressive waves of restructuring and job loss took place as state owned enterprises moved through one or more stages of restructuring including “preparation for sale”, “business failure and bankruptcy”, “transformation related post privatisation restructuring” and “market related restructuring”. Countries today are at different stages of the process and progress has varied within the countries sector by sector. Slovenia is generally regarded to have taken a “measured” or “soft landing” approach and is seen to have managed the negative consequences of change well. Privatisation has consequently been a slow process and much remains to be done. By contrast, Estonia pursued a rapid and radical privatisation programme relying on a growing private sector to take up the displaced employees from previously state owned enterprises. Poland initially undertook privatisation on a massive scale with resultant high structural unemployment. A subsequent pause in activity means that the country still has a number of difficult problems to address.

The volume of privatisation undertaken since the early 1990’s and government’s general reluctance to engage with the social partners, and to accelerate the pace of change where possible, did not

Figure 8: Employment change by quintile (% per annum; 2008q2 to 2010q2)

Source: Hurley, Storrie, Jungblut 2011: Shifts in the job structure in Europe during the Great Recession, p.13
typically allow discussion of anticipatory measures to mitigate job loss nor did it encourage more sensitive approaches to dealing with those who lost their jobs.³

1.3 The political framework of economic and labour market policy and proactive anticipation and managing industrial change – overview

1.3.1 EU LEVEL FRAMEWORK

Restructuring has become an increasingly used term in European countries and EU Member States addressing measures and company-based practice in the context of globalisation and other economic developments within the fabric of European societies. The European Commission has shown its interest in and recognised the impact and value of restructuring through a range of recent activities following its Communication entitled “Restructuring and Employment” published in March 2005.⁴

Faced with an accelerated dynamic of restructuring at company level in the context of major economic trends such as globalization, intensification of cross-border value chains, technological and ICT progress, the anticipation of structural change, accompanying measures in the field of employment policy, life-long learning, skills development and training as well as mitigating the labour market and social effects of restructuring has emerged as a major theme of European as well as national policy making. Also the current economic crisis which is resulting in a rising number of companies throughout Europe forced to restructure activities and businesses is further reinforcing the employment dimension in the context of managing restructuring and structural change at various levels as for example a recent Communication of the EU Commission has stressed.⁵

However, the concept of restructuring has entered in particular the EU employment and social policy agenda already much earlier. Already in 1998, the High Level Group on the economic and social consequences of industrial change, “The Gyllenhammar Group” – set up as a result of the Luxembourg Jobs Summit in November 1997 – stated in their final report,⁶ that companies should shoulder the main responsibility for the anticipation and management of change.

The group advocates an approach whereby industrial change is anticipated and managed through voluntary action undertaken at various levels, encouraged through incentives, as opposed to legislative measures. Legislation is viewed as useful in setting minimum standards, but solutions worked out through voluntary agreements are argued to be more effective than the imposition of penalties and sanctions, and are thought to lead to a more constructive and positive environment. The importance of developing a constructive social dialogue at all levels, particularly in areas such as information and consultation, is stressed by the Group. This is based on the belief that social dialogue based upon mutual trust and information is the best way to adjust to change on a continuous basis and to handle crises caused by industrial restructuring. The report argues that in order to reinforce the capacity for change, employers, workers and governments should share the responsibility for ensuring the employability of the workforce. It is therefore not surprising that the Group supports the need to create "a European framework for information and consultation".

In the event of a crisis the main responsibility for action according to the Gyllenhammar Report lies with the company. While government and politics generally should abstain from interfering with industrial change, the report also states that local authorities may intervene in co-ordination and mediating capacities.

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³ See the synthesis report in the context of the European Social Partners’ study on restructuring in the New Member States: Wild, A. 2006: Study on Restructuring in the New Member States.


More than ten years ago, some of the suggestions made by the Gyllenhammar Report have been put into practice: A general framework regulation with regard to information and consultation was passed in 2001 and implemented in 2004 covering all companies with more than 50 employees. In 2001 already, the “European Monitoring Centre of Change” was established as a resource and information centre to promote an understanding of how to anticipate and manage change. By this, the Centre reflects the suggestion of the High Level Group to establish a European wide observatory with regard to industrial change. Other key initiatives were put into practice at EU level focusing in the issue of industrial change, restructuring and anticipation: In 2002, the European Economic and Social Committee established the “Consultative Commission on Industrial Change” and a range of other initiatives were put into practice following the European Commissions’ Communication on restructuring and employment” in 2005, e.g. regular “Restructuring Forums” as platform for the exchange of ideas and debate involving high-level public and private representatives, which started with the first Forum in June 2005. Since then, the Commission has carried out numerous activities of exchange, debate and research, many of them documented on the web-portal “Anticipedia” that was launched in 2009 as a major resource centre and platform of exchange regarding restructuring within the EU.

Also the European Social Partners both at peak level (see pp. 21-22) as well as in different industry sectors have addressed the issue of restructuring both in joint projects⁷ as well as unilateral initiatives⁸ during the last years, focussing mainly on an exchange of experience and good practice with national member organisations.

Today, it is hardly possible to present an overview of the various measures and initiatives addressing restructuring from different sectoral, regional and/or analytical angles. The broad variety of tools and instruments addressing anticipating and managing change in Europe has been documented in the context of a stock-taking process that was initiated and carried out by the EU Commission in 2009/2010 resulting in some comprehensive overviews and documentations.⁹

### 1.3.2 National level frameworks

It is important to stress that within Europe there is no common understanding of restructuring at the national level: Restructuring in France means something totally different to the same process in Denmark or the UK, for example. Public debate on restructuring in Poland also differs from that in Hungary or Slovakia. Also the perception of restructuring by workers and their representatives differs significantly: For workers in the UK, France and Germany restructuring is bringing about further deindustrialisation and outward relocation of manufacturing while in the new Member States it is perceived as causing large, state-owned industries to disappear in the context of privatisation, and new industries and services and SMEs and business start-ups to emerge. In Portugal, the emphasis is on the crises of traditional industries; in Poland it’s more about agriculture, mining and steel whereas restructuring debates in Spain, Hungary or Slovakia might focus on the significant dependency on multinational companies.

Another important aspect relates to the national frameworks of industrial relations and labour law: although the relevant EU directives on collective redundancies and information and consultation have been implemented in all EU countries, the reality of dealing with dismissals and redundancies

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⁷ Between 2005 and 2010 the European Social Partners (ETUC, BUSINESSEUROPE, UEAPME and CEEP) in the context of their integrated work programmes carried out three projects on restructuring and the role of social partners and social dialogue in this context. Reports and papers are available on the websites of the European trade unions (http://resourcecentre.etuc.org/Restructuring-7.html) and European employers (http://www.erc-online.eu/Content/Default.asp?PageID=513).


and the involvement of worker representations and trade unions in restructuring operations is quite different and varies enormously between countries. In particular the following features and results should be mentioned here:

- although a controversial issue of public debate in most EU countries, only in a few countries is restructuring referred to in national labour law alongside certain control mechanisms, legal procedures and employers’ obligations to inform and consult employee representatives;
- in most cases restructuring is dealt with in the framework of collective redundancies and the national implementation of the respective EU Directive;
- the ways in which information is implemented vary significantly (What are the practical obligations of employers? What kind of information should be supplied and at what stage? Are early warning systems in place?) as do workers’ consultation rights. The resources of worker representations and the opportunity to engage external support varies widely;
- an even more diverse European landscape emerges when the issue is raised of negotiations and reconciling interests: there are some countries in which social provisions have been made but in most countries negotiations depend exclusively on the bargaining power of trade unions;
- when it comes to issues such as innovation policy, anticipating change at both company and sectoral level, the role of public authorities in significant restructuring, the concepts of job transfer and deployment, obligations on employers to bear a fair share of social costs and so on the differences between countries are even greater;

To sum up, from the point of view of a worker confronted with a restructuring situation or even dismissal it very much depends on the country where he/she lives, the size of the company in which he/she works and, finally, also whether the trade union structure within the workplace is strong or weak. The table below gives an idea of the variation in national frameworks and the associated implications for worker involvement in the EU countries.

Table 4: National framework models with regard to dealing with restructuring

<table>
<thead>
<tr>
<th>Nature</th>
<th>Market-based frameworks</th>
<th>State-led frameworks</th>
<th>Social partners-led frameworks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature</td>
<td>Business driven</td>
<td>State driven</td>
<td>Negotiated driven</td>
</tr>
<tr>
<td>Main tools of dealing with restructuring at company level</td>
<td>Severance payments</td>
<td>Early retirement, social plans, often including retraining and active job transfer measures</td>
<td>Early retirement, social plans, often including retraining and active job transfer measures</td>
</tr>
<tr>
<td>Tools and measures beyond company level</td>
<td>Voluntary structures, e.g. regional task forces</td>
<td>Tripartite dialogue</td>
<td>Regional and sectoral initiatives and agreements by social partners</td>
</tr>
<tr>
<td>Anticipation of change</td>
<td>Voluntary initiatives</td>
<td>As a basic function of public administration/authorities</td>
<td>Based on social partners’ initiatives, e.g. sectoral training funds, observatories</td>
</tr>
<tr>
<td>Nature of employee involvement</td>
<td>Formal, information but no real consultation</td>
<td>Formal, consultation and negotiation depending on the legal framework as well as bargaining power of unions</td>
<td>Negotiated solutions</td>
</tr>
<tr>
<td>Countries exemplifying this framework</td>
<td>UK, Ireland, Poland and other CEE countries</td>
<td>France</td>
<td>Germany, Austria, Belgium, Netherlands, Nordic countries</td>
</tr>
</tbody>
</table>

Source: Voss, E. 2007: Toolkit Restructuring - Key findings from the ETUC project “Strengthening the role of worker representation bodies and trade union organisations within the framework of restructuring operations”, Brussels 2007, p.17.
2 Industrial relations and practice of managing change and restructuring

2.1 Key data of the national industrial relations system and labour rights

This is not the place to debate the huge amount of research and literature that has been dedicated to the pluralism and heterogeneity of industrial relations and national frameworks of labour relations in Europe. Considerable amount of thought has been given to the different models of employee relations in Europe. Given that one of Europe’s distinctive features in the manner in which it approaches management of the economy is the “European Social Model”, this should come as no surprise.

There are quite clearly different employee relations “sub-systems” in Europe and a recent and widely accepted attempt to define them specifically has been undertaken in the Industrial Relations in Europe Report (2008) as illustrated below.

Table 5: Labour relations models in Europe

<table>
<thead>
<tr>
<th>Production regime</th>
<th>North</th>
<th>Centre-west</th>
<th>South</th>
<th>West</th>
<th>Centre-east</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare regime</td>
<td>Coordinated market economy</td>
<td>Statist market economy</td>
<td>Liberal market economy</td>
<td>Statist or liberal?</td>
<td></td>
</tr>
<tr>
<td>Employment regime</td>
<td>Inclusive</td>
<td>Dualistic</td>
<td>Residual</td>
<td>Segmented or residual?</td>
<td></td>
</tr>
<tr>
<td>Industrial relations regime</td>
<td>Organised corporatism</td>
<td>Social partnership</td>
<td>Polarised/state-centred</td>
<td>Liberal pluralism</td>
<td>Fragmented/state-centred</td>
</tr>
<tr>
<td>Power balance</td>
<td>Labour-oriented</td>
<td>Balanced</td>
<td>Alternating</td>
<td>Employer-oriented</td>
<td></td>
</tr>
<tr>
<td>Principal level of bargaining</td>
<td>Sector</td>
<td>Variable/instable</td>
<td>Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bargaining style</td>
<td>Integrating</td>
<td>Conflict oriented</td>
<td>Acquiscent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role of the state in IR</td>
<td>Limited (mediator)</td>
<td>“Shadow of hierarchy”</td>
<td>Frequent intervention</td>
<td>Non-intervention</td>
<td>Organiser of transition</td>
</tr>
<tr>
<td>Employee representation</td>
<td>Union based/high coverage</td>
<td>Dual system/high coverage</td>
<td>Variable (*)</td>
<td>Union based/small coverage</td>
<td>Union based/small coverage</td>
</tr>
<tr>
<td>Countries</td>
<td>Denmark, Finland, Norway, Sweden</td>
<td>Belgium, Germany, Ireland, Luxembourg, Netherlands, Austria, Slovenia (Finland)</td>
<td>Greece, Spain, France, Italy, (Hungary), Portugal</td>
<td>Ireland, Malta, Cyprus, UK</td>
<td>Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia</td>
</tr>
</tbody>
</table>

Source: Industrial Relations in Europe 2008, p. 50/51.

It should be noted here, that this model should not be regarded as a static one but there is certain dynamism: The author Jelle Visser himself shares to an extent the issue we describe above relating to new and old member states, placing Slovenia into “centre-west” and putting Hungary into two categories. There are also good reasons to suggest that also other countries in the “centre-east” bloc are not appropriately placed, perhaps most notably the Czech Republic.

However, the main purpose of this overview is to illustrate the variety of labour relations in Europe which are driven and influenced strongly by certain cultural, political as well as social traditions and contexts and specific features. Some of these features should be highlighted here in particular since they are playing a substantive role for the “EU industrial relations system” and are also very relevant with regard to the role of industrial relations and social partners in regard to the management of restructuring in a social responsible way. It should be noted that the following sections also are
relying heavily on results of recent IR research as documented in more detail in the EU Industrial Relations Reports, in particular the 2010 edition.

2.1.1 Pluralism and Divisional Structures of Social Partners

Amongst the twenty seven EU Member States the number of trade union confederations range from one (Austria, Ireland, Latvia and the United Kingdom) to nine (France). There are two trade union confederations in three countries (Greece, Estonia and Malta), three trade union peak organizations in nine Member States (Slovakia, Bulgaria, Belgium, Germany, Lithuania, Poland, The Netherlands, Finland and Sweden). Denmark, Cyprus, Luxembourg and Portugal have four trade union confederations, while Czech Republic and Romania have five, Spain and Hungary have six and Slovenia and Italy have seven.

Trade union divisions include the general confederations (covering all economic sectors, including the public administration) and specific peak organizations, often in the services (Estonia, Slovakia, Cyprus, Luxembourg, Czech Republic, Spain, Slovenia and Italy) or in the public sector (Greece, Bulgaria, Germany, Luxembourg, Slovenia and France). Other relevant divisions are politically-based (Malta, Bulgaria, Belgium, Lithuania, Poland, The Netherlands, Cyprus, Luxembourg, Portugal, Czech Republic, Romania, Spain, Hungary, Slovenia, Italy and France) or religion-based (Slovakia, Belgium, Germany, Lithuania, The Netherlands, Denmark, Luxembourg, Czech Republic, Spain and France). Occupational divisions are present at peak level in six cases (The Netherlands, Finland, Sweden, Denmark, Cyprus and France), while the regional criteria is present in four cases (Belgium, Czech Republic, Spain and Slovenia).

The membership share of the largest trade union confederation range from 100% (Austria) to 23% (France), while in 2008 union density rates varied from 68.8% in Sweden and 67.6% in Denmark to 7.7% in France and 7.6% in Estonia. From 2000 the union density rate at the EU level decreased 4 pp. to almost 24% in 2008, a rather linear trend since the 1980s.

In spite of these long lasting divisions at the National level, at the European level the European trade Union Confederation (ETUC) brings together 64 of the 98 national trade union confederations identified in the ICTWSS database. According to this source ETUC organizes 56 million people in 36 countries and includes 12 European Industry Federations.

Amongst the 27 EU Member States a total of 111 national confederations and peak associations of employers were counted by the ICTWSS database in early 2000, a number a little higher than the corresponding figure in 2000 and the present number of trade union confederations, which confirms that the employers’ organization tends to be more fragmented, although more stable during the last decade, than the trade unions.

The following table summarizes the number of national employers’ confederations, their respective domains and major divisions in each country and show that, as against the trade union landscape, political and religious divisions are in general not a relevant factor for the structure of employers’ organizations.

At the European level, the three main employers’ peak organizations are BusinessEurope, UEAPME and CEEP. BusinessEurope has been set up in 1957 as the Union des Industries de la Communauté Européenne (UNICE). In 2010, BusinessEurope had 40 national member organizations, including 10 outside the EU. Amongst the BusinessEurope members employers’ density\(^\text{10}\) ranges from 13% (Austria) to 90% (Denmark). The European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) has 39 member associations in the EU. The third main employers’ organization at the European level is the “European Centre of Employers and Enterprises providing Public Services”, which was founded in 1961 (CEEP). CEEP has national sections in 20 out of 27 EU member states.

\(^{10}\) Defined as the proportion of all firms joining an employers’ association.
According expert estimations, in 2008, nearly 58% of the total employment of the EU Member States worked in firms affiliated with employers’ associations. There is no data to compare the employers’ density rate of the 27 EU Member States in the years 2000 and 2008. In spite of that, compared the indicator for EU15 in the year 2000, employers’ density in 2008 is analogous.

Table 6: Number of employers’ confederations, domains and key divisions in 2010

<table>
<thead>
<tr>
<th>Total</th>
<th>General</th>
<th>SMEs</th>
<th>Sector</th>
<th>Of which</th>
<th>Industry</th>
<th>Building</th>
<th>Trade</th>
<th>Finance</th>
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<td>1</td>
<td>(1)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RO</td>
<td>13</td>
<td>8</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>49</td>
<td>39</td>
<td>23</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Industrial Relations in Europe, 2010: 30

2.1.2 VARIETIES IN STRENGTHS AND INFLUENCE

ORGANISATIONAL STRENGTH AND COVERAGE

Trade unions and employers face different problems on the organizational domain. For trade unions the decreasing union density, especially amongst young cohorts, those employed in SMEs, in the services sectors or working under flexible contractual arrangements, is the main problem. On the contrary, for employers’ organizations the main organizational problem is the conciliation between membership and the social consequences of freedom of enterprise, a problem with consequences at all possible levels of social dialogue and collective bargaining, from the plant level to the European one.

One of the key effects of this tension between employers’ organization and the freedom of enterprise is the growing reluctance of firms on the multi-employers level of negotiation, namely for wage setting, an issue briefly mentioned below.
Employee representation in enterprises for the purpose of information and consultation is a key feature of European industrial relations. Legal provisions for employee representation exist in all countries and are required by EU law, based on Directive 2002/14/EC on information and consultation. The ways of organising employee organisation; the rights and activities of representatives; their reliance upon the unions; independence from management; formal and informal involvement in grievance handling and negotiations in the workplace or enterprise differ widely across the EU.

A great variety of institutional structures exists among the Member States with regard to the formal organisation of employee representation in the enterprise. The basic differentiation is whether employee representation proceeds through the union or is based on a construction that is formally (although not always informally) independent from the union, i.e. the works council.

Combining various pieces of information including formal rights, involvement in co-determination and firm-level negotiations, as well as the nature of the relationship with the union(s), the formal strength of employee representation in the enterprise can be assessed. Based on these assessments a significant variety of influence of workplace employee representation between the EU members states have been identified by recent analysis as the following figure is illustrating.

The picture that emerges is, again, one of diversity. At one end are the three Nordic countries, with the strongest workplace representation rights, based on integration between union and employee representation, backed by basic agreements and legal rights. This is followed by a group of continental European countries — Benelux, Germany, Austria and Italy, then France, Spain and Slovenia — each with strong works councils but with different arrangements concerning the cooperation between unions and councils. At the other are the Baltic States, Cyprus and Malta, Bulgaria and Greece, with weakly institutionalised bodies of employee representation, alongside or instead of trade unions, and with weak rights vis-à-vis management.

See Industrial Relations in Europe 2010, p. 43 for more details.
COLLECTIVE BARGAINING COVERAGE

An estimated 121.5 million of the 184 million employees in employment in the EU were covered by a collective agreement in 2008. This translates into an adjusted bargaining coverage rate of 66%, or two-thirds of all EU employees. Over the first decade of the 21st century the number of employees covered increased by more than eight million, but since employment increased much faster, the coverage rate slipped by 2 percentage points. The most striking feature of figure below that has been taken also from the Industrial Relations in Europe Report 2010 is the huge cross-national variation, ranging from virtually 100% in Austria to less than 20% in Lithuania.

It must be noted that the coverage rate is affected by a complex set of factors which include trade union and employer’s density rates, the extension of collective agreement that are permitted by the labour law of most Member States, and the possibility to derogate certain provisions of multi-employer collective agreements by company-level arrangements and agreements. Thus, coordination between levels of social dialogue and collective bargaining is a feature of increasing relevance in Europe.

There is a growing convergence in the academic debate to identify two main groups of countries on this issue. First, a group including the UK, Cyprus and Malta plus the CEE Member States, where the main level of collective bargaining on wages is the company and coordination across bargaining units or agents is scarce; second, a group comprising the Nordic countries, the continental European countries, including the Southern ones, plus Ireland and Slovenia, where coordination between the multi-employer bargaining units and the company-level decisions are more relevant.

Source: Industrial Relations in Europe 2010, p. 43

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2.1.3 TRANSNATIONAL EMPLOYEE REPRESENTATION AT ENTERPRISE LEVEL

A specific feature of industrial relations in Europe is the existence of a legal framework of cross-border employee representation at the company level. There are two main forms of transnational level employee representation within multinational enterprises in Europe:

First, European works councils (EWCs) are standing bodies providing for the information and consultation of employees in Community-scale undertakings and groups of undertakings as required by the 1994 European works council directive (Directive 94/45/EC), recast in 2009 as Directive 2009/38/EC.

Second, European Companies (SEs) established under the 2001 regulation on the statute for a European Company (Council Regulation (EC) No 2157/2001), have to comply with provisions for employee involvement, including board-level representation and/or European level works councils under Directive 2001/86/EC.

The thresholds required for an enterprise to be covered by the European works council directive are, for a Community-scale undertaking, ‘at least 1 000 employees within the Member States and at least 150 employees in each of at least two Member States’. Essentially, the aim of the directive is to promote voluntary agreements on the constitution and operation of EWCs. Not all of the multinational companies covered have established a EWC. According to the EWC database of the European Trade Union Institute, 938 EWCs were active at the beginning of 2010, representing some 16 million workers.¹³ This represents a coverage rate of around 40 % of the multinationals, and 60 % of the workforce, estimated by the Institute to be covered by the directive.

Practice amongst EWCs has varied widely. In some instances, they have played an extremely limited role and were often a simple recipient of information about a restructuring exercise, sometimes even after the decision had been taken. More rarely, they have been fully involved participants, becoming a site for collective bargaining in some multinational enterprises that resulted in transnational

¹³ The ETUI’s database can be found at http://www.ewcdb.eu.
agreements on the anticipation of change and management of restructuring in a socially responsible way.\textsuperscript{14} 

As regards the date on existing SEs, as of July 2010, some 595 SEs had been registered in the EU/EEA Member States according to a study carried by Eurofound.\textsuperscript{15}

\section*{2.1.4 Industrial Conflicts}

Taken as a whole, the average number of workers involved in industrial disputes in the EU member countries from 2000 to 2008 has been lower than the average of the 1970s, 1980s and 1990s. This average is also lower than the non-European OECD countries. Notwithstanding, the European average hides great variations across the 27 Member States.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure12.png}
\caption{Relative strike participation, average 2000-08}
\end{figure}

The above figure allows identifying three groups of countries. First, Greece, Italy and Spain, where strike participation has involved 50 or more participants per 1000 employees. Second, a group including France, Finland, Romania, Denmark, Austria, Cyprus, Malta and the UK, which average strike participation ranges from 30 to 10 participants per 1000 employees. Third, Belgium, Portugal, Ireland, Estonia, Hungary, the Netherlands, Germany, Sweden, Poland, Slovenia, Lithuania, Slovakia and Latvia with less than 10 participants per 1000 employees.

\section*{2.1.5 Social Pacts and Agreements}

In various EU Member States governments have tried to engage trade unions and employers’ organisations in tripartite social pacts on wage moderation and reform on issues such as pensions, early retirement, employment protection, active labour market policies, unemployment insurance and training.\textsuperscript{16} In the years 2000–09, 44 attempts to negotiate a social pact were identified. Compared to the 1990s fewer governments turned to this instrument.

Of the pacts that were signed, the analysis shows that that the number one issue was wage setting, including conflict regulation (‘wage procedure’) and the use of inflation targets (‘wage max’). Social security (in particular unemployment insurance) is the next most important issue, followed by vocational training, active labour market policies, employment protection and pension reform. Social


\textsuperscript{16} See Pochet, P., M. Keune, et al., Eds. (2010). After the euro and enlargement: social pacts in the EU. Bruxelas, European Trade Union Institute (ETUI) and Observatoire social européen (OSE).and Avdagic, Rhodes and Visser, 2011
dialogue procedures, together with consultations over minimum wage decisions, are relatively frequent issues in social pacts in the 12 new Member States.

Many of these issues can (also) be subject to bilateral agreements between the central union and employers’ associations, without the participation or intervention of the government. Two types of agreement can be distinguished, similar to the two procedures specified under Article 136 of the EU Treaty. Sponsored agreements depend for their implementation on subsequent legislation by the government. They can be seen as a form of preparation for legal intervention, similar to the European social partner agreements in the 1990s (on parental leave, fixed-duration contracts and part-time work) that were implemented by means of an EU directive. Autonomous agreements are implemented by the unions and employers themselves, by means of collective bargaining or guidelines and do not seek or require subsequent legislation. Autonomous agreements often pre-empt legislation and surely one motive for employers and unions to conclude such agreements is that they exert more influence over the content of regulation than if it were done through the law. The parallel is found in the European framework agreements on telework, work related stress, sexual harassment, each concluded since 2000.17

As can be seen from the figure below, autonomous central agreements are relatively rare; most agreements rely on subsequent legislation. Some of the agreements in Portugal after 2005, in an attempt to repair the damage of prior legislation on collective bargaining, can be classified as autonomous and the same applies to the seven procedural wage agreements and one further agreement in Spain. The other examples are found in Denmark, the Netherlands and Sweden. Sponsored agreements, some related to EU legislation, are frequent in France, southern and Eastern Europe.

Figure 13: Social pacts and agreements in Europe during the 2000s

![Graph showing social pacts and agreements in Europe during the 2000s]

Source: Industrial Relations in Europe 2010, p. 50.

17 Reference to the EU SPs stock-taking project/survey on Social Dialogue.
2.2 Legal framework and practice of managing restructuring in a socially responsible way

2.2.1 LEGAL AND POLITICAL FRAMEWORKS AT EU LEVEL

The European legal framework is constituted by three EU Directives directly relevant on the issues of restructuring plus two other EU Directives on the information and consultation of the workers of the European Community. After their transposition by national legislation, the EU Directives aim to harmonize national legislation of all Member States. As National traditions may and usually do influence the transposition of Directives the actual role of the Directives may vary across Member States.

The first EU Directive relevant for the management of restructuring is the Directive 1998/59/EC on the approximation of the laws of the Member States relating to collective redundancies has been adopted in 1975 and updated in 1998. The main norms of this Directive establish:

- The size of the companies and of the redundancies concerned by it;
- The special obligations of the employers on the information, consultation of the workers’ representatives as well as the adoption of social measures to prevent or to reduce the number of redundancies and to compensate the remaining ones and their consequences;
- The information to be provided to the public authorities of the Member States.

A second EU Directive aims to the approximation of the safeguard of the acquired workers’ rights established by national legislation in the event of a public or private undertaking, business, or part of an undertaking or business to another employer as a result of a legal transfer or merger. Adopted two years later than the previous one (Directive 77/187/EEC) and revised ten years ago by the Directive 2001/23/EC, it aims to:

- Define the conditions of its application;
- State the duties of employer concerning information and consultation and the safeguarding of employees’ rights.

The EU Directive 80/987/EEC, amended by Directive 2002/74/EC, obliges Member States to set up an institution which guarantees the workers’ salaries and other entitlements in case of insolvency, bankruptcy or liquidation of a company.

In addition to these three EU Directives, some other Directives must be mentioned. First, the Directive on EWC (see p.25); second, the Directive 2002/14/EC, establishing a general framework for informing and consulting employees in all companies with 50 employees or more in certain issues, including restructuring; third, the involvement of employees is established in companies adopting, the European Company Statute (Directive 2001/86/EC), the European Cooperative Society Statute (Directive 2003/72/EC) or deriving from a cross-border merging (Directive 2005/56/EC).

All the twenty-seven EU Member States have ratified the eight ILO Conventions included on the Core Labour Standards.\(^{18}\)

In spite of this European legal framework, variability of both the legislative domain and the concrete practices of the European countries are very relevant. First, the role played by legislation and by

\(^{18}\) The Conventions are the following: C87 Freedom of Association and Protection of the Right to Organise Convention, 1948; C98 Right to Organise and Collective Bargaining Convention, 1949; C29 Forced Labour Convention, 1930; C105 Abolition of Forced Labour Convention, 1957; C138 Minimum Age Convention, 1973; C182 Worst Forms of Child Labour Convention, 1999; C100 Equal Remuneration Convention, 1951; C111 Discrimination (Employment and Occupation) Convention, 1958. See http://www.ilo.org/ilolex/english/docs/declEU.htm
collective agreements varies widely across the EU, as the figure below exemplifies for the legal restrictions on the employers freedom to hire and fire.

Figure 14: Strictness of employment protection (OECD, overall indicator)

![Graph showing strictness of employment protection across EU countries]


Second, systems of employee representation at company level are of two basic types: the so called “single channel” representation, i.e., by the trade unions or the so-called “dual model”, i.e., based in bodies formally independent from the trade unions. The type of representation of employees for health and safety issues also varies across counties. Third, the presence workers’ representation at company level is also variable, as the figure below illustrates.

Figure 15: Incidence of different types of employee representation, by country (%)

![Graph showing incidence of different types of employee representation]

Source: ECS 2009, management interviews, p. 47

Second, the amount, the quality and the frequency of information provided to the employee representatives varies with size and the sector of the company and across countries.

Amongst the relevant principles that national often regulates the criteria for the selection of workers to be dismissed, dismissal periods, severance payments, and work requirements until the contract is terminated.
The EU influence on restructuring is not limited to its legislative instruments. Other forms of intervention include the European soft law tools like the European Employment Strategy, the Social Agenda, the Restructuring Forums or the Stakeholder Forums and the European financial instruments like the European Social Fund (ESF) and the European Globalization Adjustment Fund (EGF), set up in 2006. While the ESF is the EU’s main instrument for anticipating change, ensuring adaptability and mitigating the negative effects of restructuring, the EGF complements the structural funds namely on the job losses that are consequences of globalization.

Moreover, the European Social Partners have tackled the issue of restructuring conducting joint studies, agreeing on policy orientations, developing tools to foster socially responsible management of restructuring promoting conferences and training events, for efficient and socially responsible restructuring.

2.2.2 MEASURES TO ANTICIPATE AND MANAGE RESTRUCTURING IN A SOCIAL RESPONSIBLE WAY IN THE EU MEMBER STATES

OVERVIEW

Already before the global financial crisis the dynamics of restructuring has resulted in a growing variety of both national and European activities supplementing as well as improving “traditional” public employment policies by more suitable instruments focusing in particular the employability of workers and/or the effectiveness of re-conversion and re-deployment as a recent stocktaking of different instruments and tools prepared by DG Employment, Social Affairs and Equal Opportunities
Anticipation and Management of Restructuring in the European Union

has shown.\textsuperscript{22} Also the notion of ‘flexicurity’ as a guiding principle of European and national labour market policy reforms\textsuperscript{23} has contributed to change in employment policies and public employment services in many European countries.\textsuperscript{24}

The development of such initiatives has been further accelerated in the context of the current global financial crisis and its impact on the real economy, which is affecting European labour markets profoundly resulting in a significant increase in job losses and a rise in the unemployment rate. This has lead to the development of several initiatives both at the European as well as national level in order to mitigate the worst effects of the crisis, for example by extending and improving short-time working schemes as a labour market instrument in many European countries\textsuperscript{25} or by joint European level initiatives focusing on both short-term and longer term measures of supporting labour market recovery and adaptability as in the context of the European Employment Summit in May 2009.\textsuperscript{26}

As the current economic situation is fostering restructuring processes at international, national, sectoral as well as company level and the competition in both manufacturing and services, employees, entrepreneurs and other key actors are facing an increased need to develop suitable and effective frameworks for human resources development, training and skills development as well as measures of professional and occupational transition, re-conversion and mobility in order to mitigate effects of acute crisis situations.

In particular against the background of the current challenges on European labour markets many European countries are faced with the need either to develop or further improve mechanisms and instruments to mitigate and cushion the effects or threat of collective redundancies as an effect of company restructuring. While in the past such measures often displayed a rather “passive” character (e.g. such as early-retirement, “golden handshakes”, i.e. severance payment packages and voluntary redundancies) learning processes both in the context of previous local and sectoral crisis situations as well as learning from good and innovative practice throughout Europe has resulted in an impressive variety of national concepts of more pro-active character. One result for example is that activities in the context of re-conversion and job transition today often are connected to occupational re-orientation, training and qualification as well as outplacement.

While in all European countries redundancies in the context of restructuring and economic crisis today are accompanied not only by passive measures such as severance payments and/or unemployment benefits but also by active measures in order to facilitate job transition, there is a significant variety of country specific backgrounds and experiences, depending very much on the respective traditions and frameworks of welfare state rationales and industrial relations. In Nordic Countries such as Sweden for example, restructuring processes at the company level since the 1970s are accompanied by “job security councils” which are based on collective agreements and support processes of professional reorganization and/or transition. In countries with a high share of part-time work and fixed-term employment contracts such as the Netherlands or Belgium, there is a strong tradition of outplacement support measures. Outplacement, job transition as well as occupational and professional re-conversion also have become an important field of labour market policy in countries such as France, Austria or Germany in the context of structural change in manufacturing or restructuring in public services since the 1990s.

\textsuperscript{22} See the “Checklist of Restructuring Processes”, published by the EU Commission. The document lists hundreds of different instruments and schemes which were collated at a workshop organized by the Commission in February 2009.


\textsuperscript{26} See: http://ec.europa.eu/social/main.jsp?catId=103&langId=en&eventId=173&furtherEvents=yes.
In contrast to this, active measures of occupational and professional transfer and re-conversion in Southern Europe and the new EU member states in Central and Eastern Europe have been less important in recent years against the background of highly dynamic labour market developments. However, in the context of the effects of structural changes in the context of globalization (e.g. on textile and other manufacturing sectors) measures of actively managing and accompanying structure change have been deployed.

By the following figure we are trying to present an overview of different types of measures in EU member states aiming at dealing with restructuring in a social responsible way. The figure is based on and combining recent comparative overviews and results of comparative research on the experience of the EU27 with regard to dealing with restructuring and managing the effects of the 2008 crisis.

Table 7: Measures to anticipate and manage restructuring in EU member states

<table>
<thead>
<tr>
<th>Measures to anticipate restructuring</th>
<th>Measures to maintain employment</th>
<th>Measures of managing restructuring and redundancies in a social responsible way</th>
<th>Income support measures for workers made redundant</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and regional economic forecasting</td>
<td>Short-time work, partial unemployment or temporary lay-offs</td>
<td>Job matching, counseling, advise, career guidance</td>
<td>Early retirement</td>
</tr>
<tr>
<td>Regional/sectoral monitoring observatories</td>
<td>Training support while employed</td>
<td>“Activation” requirements</td>
<td>Severance pay</td>
</tr>
<tr>
<td>Skills development and continuous vocational training</td>
<td>Wage reduction</td>
<td>Job transition, outplacement and mobility support</td>
<td>“Golden Handshakes”</td>
</tr>
<tr>
<td>Measures to support innovation and attract investment</td>
<td>Wage/job subsidies</td>
<td>(Re-)Training and new skills for new jobs</td>
<td>Unemployment benefits and other public income support measures</td>
</tr>
<tr>
<td>Measures addressing national, sectoral or regional challenges and aims</td>
<td>Other measures increasing internal flexibility, e.g. flexible working time accounts, sabbaticals</td>
<td>Mobility grants</td>
<td>Benefits and fiscal measures for low earners</td>
</tr>
<tr>
<td></td>
<td>public sector job creation</td>
<td>Job creation support, subsidized employment</td>
<td>Start-up grants</td>
</tr>
</tbody>
</table>

Source: Own

Measures to anticipate restructuring may be adopted by public bodies at several levels and usually include several other actors able to cooperate on the identification of futures skills needs or on the provision of the corresponding training. The Finnish Government Foresight Network or the British Regional Economic Forums are good examples of skills needs anticipation, while the establishment of the duty of the employers to provide in advance notice of collective redundancies which are in force in Austria, Lithuania, Poland, and Slovenia is another example.

Measures to maintain employment include all types of measures that help to maintain viable employments that would be lost otherwise, i.e., measures of internal flexibility linked to the working time or to work costs. The figure below illustrates the relevance of flexitime across the European countries.

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RESOURCES: ACTIVE LABOUR MARKET POLICIES

Traditionally, expenditure on unemployment benefits and active labour market policies including employment services varies greatly among EU member countries. Nor is there any apparent link between the size of expenditure and the level of unemployment. In 2007 (latest data available) total expenditure on labour market policies ranged between 0.16% of GDP in Estonia and 3.29% in Belgium. Countries with very similar unemployment rates can be found at either end of the expenditure spectrum. Of particular note is the fact that Denmark and the Netherlands, which were among the countries with the lowest unemployment rates in 2007, are in second and third place in terms of expenditure on passive and active labour market policies as a share of GDP.

The following figure illustrates an overall scattered picture of financial resources of both passive and active labour market policy in 2008.

Figure 18: Expenditure on active and passive labour market policy measures (% of GDP, 2008)

Source: Eurostat, own figure.

When comparing countries, it is important to stress that the mechanisms, instruments and funds described and analysed in our study not always are included in the “LMP measures” category. In
some cases (e.g. the German and Austrian examples) they are included in the “LMP support” group since they are based on monetary transfers of PES.

With regard to different country models of spending, one can identify three broad groups/types:

- First, a group with very modest overall spending on LMP, mainly consisting of the new member states in Central and Eastern Europe

- A second group of countries which are characterised by high spending on “LMP measures”: Belgium and Denmark being the only countries with more than 1% of GDP spend on this type of LMP, and also Sweden, Finland, France and the Netherlands with high shares

- A third group of countries that are showing high shares of “LMP supports”, notably Belgium with nearly 2% of GDP and Germany with more than 1.5%.

Figure 19: Public expenditure on active labour market policies, % of GDP, 2008

With the large growth in unemployment rates during the economic crisis, countries with traditionally low expenditure are likely to face severe problems in providing the unemployed with sufficiently high and long-lasting unemployment benefits and access to active labour market policy measures. However, those countries which traditionally spend large shares of GDP on unemployment policies also face challenges in maintaining the same level of – particularly active – benefits in the face of sudden increases in unemployment.

With the onset of the crisis, it has also become more evident that, in many countries, unemployment insurance coverage is not comprehensive, in that, for example, it tends to exclude certain labour market groups that are unable to fulfil the eligibility criteria, such as young and nonstandard workers. In fact, a number of countries have recently expanded coverage of unemployment benefit schemes, extended benefit duration or increased benefit levels for certain groups of beneficiaries.

While the fiscal stimulus packages adopted included, in most countries, labour market and social policy measures, additional funds for labour market programmes were in most cases rather limited. However, there are some exceptions and countries including Greece, Poland, Portugal, Spain and...
Sweden have announced notable increases in spending on active labour market policies as a response to the economic downturn.\(^{30}\)

### 2.2.3 The Role of Social Partners at Company Level and Beyond

The social partners’ responses to the Great Recession vary between countries and variability seems to be influenced by three main factors: the employment effect of the crisis; the characteristics of the industrial relations systems, and the size of the firm.

#### Table 8: Cross-country differences in the impact of the recession on real GDP and unemployment

<table>
<thead>
<tr>
<th>Change in GDP from peak to trough(^b)</th>
<th>Change in unemployment rates from peak to trough(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Employment Impact (less than a 1.5% increase)</td>
<td>Medium Employment Impact (at least a 1.5% increase but less than a 3.5% increase)</td>
</tr>
<tr>
<td>Australia</td>
<td>New Zealand (H)</td>
</tr>
<tr>
<td>Norway</td>
<td>Poland</td>
</tr>
<tr>
<td>Switzerland (X, S)</td>
<td></td>
</tr>
</tbody>
</table>

\(^{a}\) Letters in parentheses following countries names indicate that the recession has been characterised by: C: A decline of at least 3 percentage points in the share of construction in total value added; H: A decline of housing prices of at least 10%; E: At least six quarters between the prior GDP peak and the trough; P: A decline of labour productivity of at least 5 percentage points; S: At least 15% of total employees participating in short-time work schemes during 2009; X: A decline in exports as a share of GDP of at least 5 percentage points.

\(^{b}\) Peak and trough defined in terms of real quarterly GDP.

Source: OECD, Employment Outlook 2010, p. 32

As illustrated by the above table, the reduction of GDP induced by the recession has relevant effects on the unemployment levels but these ones are more than a mere direct outcome of the recession’s harshness.

On the other hand, the palette of the responses given by social partners and public authorities to this crisis seem linked to the main characteristics of the national labour law and of industrial relations systems. Where multi-employer and multi-level collective agreements are a system’s relevant feature, the adopted policy-mix includes a larger role for internal flexibility measures; where, on the contrary, collective agreements do not play a relevant role or single-level and single-employer prevails, the responses to the crisis are based on external flexibility and, thus, on higher increases of unemployment.\(^{31}\)

### 2.2.4 The Role of Public Authorities at Various Levels

The role of the public authorities during the Great Recession may be divided on two phases.

The most common feature of the first phase has been a fiscal stimulus to foster economic growth and labour demand, combining them with the reinforcement of labour markets programs. Short-time


\(^{31}\) See Glassner and Galgóczi 2009: Plant-level responses to the economic crisis in Europe, p. 52.
work schemes, several other working time arrangements, extension of unemployment benefits’
duration and eligibility, closer link between unemployment benefits and activation schemes, public
subsidies to net employment creation by firms, improved access to credit, reduction of non-wage
labour costs, reinforcement of PES, are examples of the most commonly used public measures,
combined, in some but not in all countries, with the reinforcement of social dialogue at several
levels.

As the economic recovery started in a number of counties, governments’ strategy became more and
more twofold, i.e., trying to tackle simultaneously high unemployment and underemployment and
growing fiscal deficits (OECD 2010). The size of expenditure cuts and of indirect tax raises have been
especially pronounced in the Member States that have sought external assistance from the
EU/ECB/IMF (Hungary, Latvia, Greece, Ireland and Portugal) or are facing a public debt financial crisis
(Spain, Italy).32 (Theodoropoulou and Watt 2011).

2.2.5 OTHER ACTORS INVOLVED IN RESTRUCTURING AND MANAGING CHANGE

Reference must be made to a number of bodies that intervene on the analysis and on the
management of economic and social change implicit in restructuring.

At the national level, this includes research institutions, observatories of economic, employment and
training both at regional and at sectoral levels and multiple bi and tripartite bodies, often with a
consultative function.

At the European level, the Commission Taskforce33 set up in 2005 meets two or three times a year,
while the Restructuring Forums meet at similar pace34 and the European Restructuring Monitor
(ERM) of the European Monitoring Centre on Change, hosted by the European Foundation for the
Improvement of Living and Working Conditions maintains a weekly updated database on
restructuring and its foreseeable consequences for employment, which constitutes an instrument of
great value for those interested by this issue.

2.3 Practical cases of “successful restructuring”

In the following we are briefly describing three cases of “successful restructuring” that may illustrate
both the functioning of the idea of socially responsible restructuring as resulting from the European
Social Model as well as the existing varieties of instruments and approaches at various levels and in
different countries. The first example illustrates the development of practice in regard to anticipating
and managing restructuring at the level of multinational French based company by an international
framework agreement. The second case describes the role of territorial cooperation and social
dialogue for the improving of skills and qualifications which are today regarded as a crucial element
of better preparing for change and restructuring. Finally, the third case describes the evolution and
design of a European instrument that has been established in response to manage negative social
effects of restructuring/company closures resulting directly from internationalisation/globalization
processes – the European Globalisation Fund. Its functioning is illustrated briefly by a quite
prominent case in Finland.

33 The Taskforce is made up of permanent members representing 20 different services of the Commission and reinforced
action to anticipate and manage employment change. Brussels, European Commission: 188.
34 The Forum includes representatives of European Union institutions, Member States representatives, regional and local
authorities and social partners.
2.3.1 THE SCHNEIDER AGREEMENT

The so-called Schneider Agreement has been negotiated and signed in 2007 by the transnational group of companies Schneider Electric and the European Metalworkers’ Federation (EMF).

The agreement aims at:

- Safeguard the competitive level of the companies concerned and promote the sustainable development of its existing production activities.
- Preserve and develop the employability of its employees.
- Develop the necessary competence and skills of its employees so as to enable them to adapt to the new economic and strategic challenges.\(^\text{35}\)

This framework agreement provides the general principles and the norms to be implemented at the different companies of the group.

To reach these objectives, the framework agreement that every employee of the group should benefit of an audit of its skills or competences at least once every three years and that every local company must develop its active training policy, that this policy must be open to all employees and locally designed on the basis of annual discussions on the training needs and the validation of new qualifications.

Moreover, the agreement emphasizes the relevance of information and consultation at European and local levels to facilitate an ‘anticipatory social dialogue’.

To this purpose, the EWC “shall be informed each year of the group’s strategy, its possible impact on the development of competence requirements and trends in employment at Schneider Electric. This information shall be based on foreseeable economic developments, and in particular:

- market developments that may affect the group’s operations,
- the main development and adaptation plans,
- technological change,
- organisational change,
- changes of scope (including, when possible, subcontracting)
- employment trends, and job and competency trends within the group.”
- and that the “information provided at local level shall include trends in employment, an inventory of the jobs affected and any changes of competence envisaged. A local action plan aimed at anticipating these changes shall be drawn up, together with a timetable for monitoring this.”\(^\text{36}\)

2.3.2 REGIONAL AND LOCAL PARTNERSHIPS ON SKILLS DEVELOPMENT AND EMPLOYMENT

Some partnerships have been developed to foster the cooperation amongst social partners on the domains of training, skills development and employment of SMEs.\(^\text{37}\) This kind of partnerships can be bipartite or tripartite and may be set up at local or regional levels.

In France, the Confédération générale du patronat des petites et moyennes entreprises, (CGPME) set up local and regional level, that concentrate on training and skills development of those working for SMEs in difficult economic situation but also of people on short-time work and those who have been

\(^{35}\) Schneider Agreement, p.2. See http://www.emf-fem.org/content/download/15966/174725/version/1/file/Final+text+agreement

\(^{36}\) Schneider Agreement, p.6. See http://www.emf-fem.org/content/download/15966/174725/version/1/file/Final+text+agreement

\(^{37}\) See Eurofound: SMEs in the crisis: Employment, industrial relations and local partnership, 2011, pp. 30-34
made redundant to improve the employability of the trainees. An analogous initiative, based on the exchange of experiences with France, has been identified in Lithuania. This exchange has been adapted in Poland for the increase of the skills of manual workers of micro-enterprises.

Austria, Slovakia and Sweden have also specific training schemes focused on the enhancement of qualifications of the SMEs workforce. In the Romanian construction sector, the social partners were directly involved in the design, development and implementation of the initiative.

Another example of territorial cooperation to promote training, skills development, social innovation and employment intermediation is Red Local, a network of local administration bodies from the Region of Madrid, Spain. The aims of the consortium include the vocational integration of groups at risk of exclusion and the support of SMEs as local developers. For more than 10 years of joint work, Red Local has carried out a number of projects, including transnational ones. One of them, Educaemprende, is based on a partnership of CTIF-Madrid educational centre, the Helsinki University, the British Wandsworth Borough Council and Red Local. The project is directed to vocational trainers, local public administration employees concerned to employment creation, small enterprises and other social agents involved in non-formal training programmes and aims to increase trainer’s competence, knowledge transfer to SMEs and post-project sustainability.

2.3.3 THE EUROPEAN GLOBALISATION FUND AND THE PERLOS CASE IN FINLAND

THE EGF

Established in December 2006 the overall aim of the EGF is to give assistance to eligible redundant workers by co-financing active labour market policy measures aiming at their reintegration into employment as rapidly as possible.38

The EGF was initially intended solely as a means of countering the adverse impact of globalisation on the most vulnerable and least qualified workers in certain sectors who lose their jobs as a result of major changes in world trade patterns that cause severe economic disruption. In June 2009 its scope was extended to include workers who lose their jobs as a direct result of the economic and financial crisis: in this respect applications may be made for support between 1 May 2009 and 31 December 2011.39

The adjustments made in 2009 should improve the access to EGF support “and to turn it into an early, more effective crisis intervention instrument in line with the fundamental principles of solidarity and social justice.”40 In particular the following three amendments were made:

- reduction of the threshold from 1,000 to 500 of the required number of redundancies to trigger an application for EGF support;
- extension from 12 to 24 months of the implementation period for EGF supported measures;
- Increase of the level of EGF co-funding from 50 to 65 %.

Between January 2007 and July 2011 the EU Commission received a total of 82 applications targeting EGF support for around 75,000 workers and a total amount of requested EGF contributions of EUR 354 million. It has to be noted that before the EGF regulation was amended and the crisis derogation was introduced in 2009 only 15 applications were received, targeting EGF support to 18,400 workers with a total amount requested of EUR 78.8 million. Changes to the EGF regulation in 2009 resulted in more applications with a comparable small number of redundancies. Under the 2006 Regulation nearly 90% of the EGF applications applied to cases with more than 1,000 redundancies. In 2010, after the revision of the Regulation, this share decreased to only 25%.

39 According to Art. 1(1) of the amended regulation.
The highest number of applications as of 1st July 2011 has been received so far from the Netherlands (15) and Spain (12). Around a dozen applications have been prepared by Denmark, Ireland, Italy and Lithuania (6) as well as Portugal and Germany (5).

In average the EGF pays EUR 4,699 per supported worker to the applicant member state. However, there are considerable differences between the requested EGF contributions. For example, Lithuania requested an EGF funding of EUR 498 per worker dismissed in the Alytaus case (2008), while in 2010 the Austrian region Steiermark-Niederösterreich requested a funding of EUR 23,271 for workers in the steel sector.

According to the EU Commission, the 2009 amendment clearly had a stimulating effect on the EGF:

*Following a consultation launched by the Commission, Member States have indicated that, without the temporary derogation it would have been impossible to submit most of the crisis related applications, thus leaving about 45,000 workers who suffered from the consequences of the economic and financial crisis without EGF support. In addition, the increased cofounding rate of 65 % reduced the financing burden of EGF supported measures for applicant Member States globally by about EUR 60 million for all applications submitted between 1May 2009 and 31 December 2010.*

Also the EP Committee on Budget EP in a motion passed in June 2010 came to a positive evaluation of the adjusted EGF. According to the motion, the EP

*takes the view that the EGF’s added value as an EU social policy instrument lies in the fact that it provides visible, specific, targeted and temporary financial support for personalised programmes for the reskilling and reintegration into employment of workers affected by collective redundancies in sectors or regions undergoing severe economic and social disruption;*  

In a recent report the European Parliament called for the extension of the crisis related derogation in its resolution of 7 September 2010 on the funding and functioning of the EGF until the end of 2013.

However, with the opening up of the EGF instrument in response to the global financial and economic crisis the question about the distinctiveness of the EGF in particular in comparison to the ESF is arising. Here, the EU Commission made the following clarification:

*"The main difference with the EGF is that the ESF consists of multi-annual programmes in support of strategic, long-term goals – notably anticipation and management of change and restructuring, with activities such as life-long learning. The EGF, in turn, provides one-off, time-limited individual support, geared directly to workers affected by redundancies as a result of trade globalisation or the financial and economic crisis."*  

According to the participants of the 1st EGF Stakeholder conference in Brussels in January 2011, the EGF,

*"has a role to play in helping European labour markets adapt to changing needs and should have a future after 2013. But this support came with a number of criticisms, the major one being the long delays in getting the money to where it is needed because of the current arduous procedural requirements."*  

**THE PERLOS CASE**

The Perlos case illustrates the functioning of the Finnish model of change security and a very proactive public policy approach of dealing with company based restructuring as well as the European Globalisation Fund that was established in 2006 in order to support workers made redundant in the context of large scale enterprise or sectoral restructuring following factory relocation or closures.
The closure of two production plants of the mobile phone cover manufacturer Perlos Oyj in Joensuu and Kontiolahti, North Karelia by September 2007 not only gained public interest in Finland but also throughout Europe since it resulted in the first application procedure in the context of the European Globalisation Fund which was established in 2006. The closure, which directly resulted in 1,400 employees made redundant, was a result of major structural change in world trade patterns and the trend to delocalise production mainly to Asia in order to get closer to the new mass markets and customers and to achieve the benefits of lower production costs.

The main reasons for the Perlos delocalisation were a combination of comparative manufacturing cost advantages, the proximity of technology partners and a strong increase in local demand with demands in Asia (in particularly China) increasing much stronger than in the rest of the world. Another key factor determining the delocalisation was also the speed of the production cycle and an increasing pressure on suppliers in the mobile phone industry to respond to orders on a “just in time” basis and thus save inventory costs and maximise product demand flexibility. This necessitates moving manufacturing sites to the immediate vicinity of the large brands. It also cuts transport costs, which are particularly important in the production of the new generation of cheap mobile phones.

When the closure of the Perlos case was announced in 2006 and in the context of a first wave of restructuring, a “Working Group on Responding to Structural Change” was established comprising representatives of the Employment and Economic Development Centre of Northern Karelia as the chair, the municipalities, representatives of the company, trade union representatives, the business development agency, the employment office and training institutions. The main task of this working group was planning measures to foster re-employment and to provide individual support for people facing redundancy. The action plan of the working group focused in particular on:

- Services from the employment office/T&E Centre for people made redundant;
- Clarifying the requirements of public projects (in the context of ESF funding) and preparation of a project portfolio to support individual training and employment opportunities;
- Measures to attract new companies and entrepreneurs to the Joensuu region;
- Clarifying opportunities for and demand in companies for development training;
- Further measures including clarifying the possibility of continuing/completing apprenticeships at Perlos, information on various training opportunities or organising advice for employees.

These activities reflect the “normal” procedure and this menu of instruments provided by the employment office have been applied in similar cases of restructuring throughout Finland. However, in addition to these measures, a number of additional activities were undertaken in the Perlos case, e.g. telephone surveys carried out amongst regional companies in order to map their labour force needs; on the initiative of the Perlos employees, activities aiming at “marketing” their know-how were carried out, for example in the context of the “Learn and Work Fair” or the regional “Business Marketplace” were carried out and trade unions established a joint advice point in the centre of Joensuu providing information and support for workers facing redundancy; finally, services were made available through a new “Adult Education Advice Point” in Joensuu.
3 Summary and conclusions

SUMMARIZING MAJOR TRENDS OF RESTRUCTURING AND PUBLIC POLICY ADDRESSING CHANGE

In the conclusions to a major project on restructuring in the EU27 member states that was carried out in 2009 and 2010, the authors highlight that ‘restructuring’ in Europe today has emerged as a comprehensive concept:

“Restructuring is no longer only regarded as a way of responding to economic crisis, but is in many countries of strategic relevance for longer-term economic development and competitiveness. The way Member States manage restructuring is central to governments’ ambitions to fight unemployment and develop sustainable economic growth, and the recent economic crisis has stimulated the development and implementation of new measures for anticipation and management of restructuring in accordance with these ambitions.”

This corresponds to European policy towards social responsible restructuring: The European strategy until 2020 is based on three interconnected pillars – [...] “an economy based on knowledge and innovation” [...] ; “a more resource-efficient, greener and more competitive economy” [...] ; “a high-employment economy that delivers economic, social and territorial cohesion” [...] – that aim to create a virtuous circle on the socio-economic sphere. This approach favours economic change towards an increase of activity in the tertiary sector, especially on the upper levels of quality and professional qualifications.

Statistical indicators corroborate that, since the year 2000 and for the EU as a whole, employment has grown significantly in business services, health and social work, education and hotels and restaurants, while the share of the manufacturing and agriculture sectors declined. The variance of these figures across the EU Member States remains relevant.

In most European countries public policy reforms tended to favor increased shares of atypical employment, specifically part-time employment and fixed-term contracts. For the EU as a whole, self-employment declined slightly.

The evolution of employment by wage groups, show that the lower and lower-middle paying jobs are the groups with lower net employment increase until 2008 and with the stronger negative change since then. The internal dimension of restructuring has also increased across the European countries, namely on working time adaptability and functional flexibility.

At the EU level, both “hard” and “soft” law may be (and actually are) combined to manage economic restructuring and its social consequences. The European legal framework in force recognizes an important role to the European Social Partners, both at cross-sector and at sectoral levels. The relative relevance of labour law and of collective agreements varies across the European Union. The role, the strengths and the influence of employers’ associations and trade unions are also different in the European countries. While in some EU Member States tripartite social pacts play an important role on public policy design and sometimes on the coordination of industrial relations at both sectoral and company levels, in other there were no social pacts agreed since 2000 while or its influence is not very important. The same must be said as far as the role of workers’ representatives at plant level is concerned.

“SOCIAL RESPONSIBLE RESTRUCTURING” AND MAJOR CHALLENGES

At the European level and from a normative point of view, there is a vast consensus amongst the relevant players on the desirable manner to actively manage restructuring. According to that consensus, anticipation and proactive management of restructuring is preferable to the ex-post

compensation of the social consequences of economic restructuring driven by the single objective of increasing the company’s competitiveness on the product markets.

To this purpose, better education and training of the world of labour, more efficient PES, reduction of the insider-outsider divide and its consequences, a greater focus on the protection of mobility and on other forms of internal restructuring, together with early information and consultation of the employees’ representatives are the main topics of the prevalent discourse.

However, although European law provide common legal frameworks for example on the management of collective redundancies or information and consultation of workers in cases of restructuring, there are quite striking differences between Member States as regards policies and measures to manage restructuring. Differences between Member States not only concern the general role of public policy in the context of restructuring but also the involvement of social partners, the responsibilities of companies and resources available for employment related or social policy measures. Here, recent research has shown the coexistence of three different models in regard to the management of restructuring: one, market-led, articulates formal information but scarce real consultation of employees’ representatives with severance payments; the second, state-driven, combines a more or less active role of public bodies with the use of social plans, an increased role of activation policies and early retirement with a variable role of social partners; the third, social partners-led, adds to the second an important role of negotiated solutions of internal restructuring.

Against this, the overall picture of managing restructuring in Europe is characterized by a remarkable pluralism and inequalities not only between countries but also within: Workers in East and West, North and South or workers in small or large companies affected by restructuring face quite different opportunities, support measures and resources to enhance mobility and employability. Furthermore, the inequalities between full-time workers in quite secure employment relationships and those in more flexible forms of work are quite striking.

Thus, the European countries and the EU seem to face a number of challenges:

- to set up a new and better articulation of increased competitiveness and employment creation;
- to build a better arrangement of more efficient public policies with an increased role of social partners on restructuring;
- to reduce existing inequalities between workers in regard to measures of supporting individual employability and job transfer;
- to design and implement a better policy mix of budgetary discipline with social fairness in a greener economy.
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