



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”



EUROPEAN TRADE UNION CONFEDERATION (ETUC)

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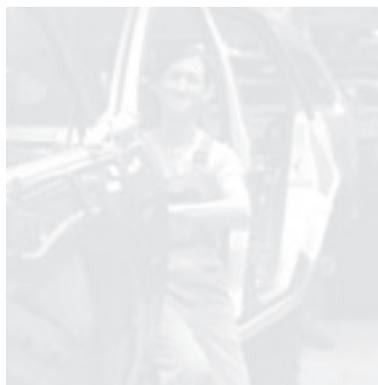
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PREFACE

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. Issues such as the opening-up of economies to international competition, liberalisation of trade, technological innovation, major shifts in consumer demands, greater sensitivity to environmental concerns, and demographic changes are just some of the important driving forces which provide an impetus for restructuring measures. Restructuring in this context can be viewed both as a way of dealing with the pressure of change and as a consequence of that change. In many European countries restructuring is also closely linked to relocation and offshoring, concepts which are increasingly being used to wring concessions from workers and their representatives in the field of working times, wage agreements and social rights. The problem of “concession bargaining” in the context of threats by employers to relocate work and functions has emerged not only in the old EU Member States but is increasingly an issue in the new Member States as well. 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.

1- Lubljana, 11-12 December 2006; Berlin,
15-16 February 2007 and Warsaw, 5-6 March 2007

The European Trade Union Confederation (ETUC) welcomes the European Commission's initiative to restore the issue of restructuring to the EU agenda and to reopen the debate on how to handle restructuring. From the point of view of the ETUC a coherent EU-wide strategy is vital, given that badly managed restructuring undermines many of the Lisbon objectives including full employment, better jobs and social and territorial cohesion. The ETUC and trade unions in Europe are not opposed to change, but we are concerned about the way in which it is managed. While restructuring is a major stimulus for development and progress, it is important that it is planned, well managed and followed up in such a way as to allay the fears and insecurity felt by many workers in Europe. We cannot accept that workers should pay the price of restructuring, or that globalisation and technological progress should become alibis for forcing employees into jobs where working conditions are worse and pay inadequate. The ETUC therefore insists that the prime objective of well managed restructuring must be to ensure that no one is left unemployed or excluded at the end of the restructuring process. It is the responsibility of companies and the relevant public authorities to find a solution that meets the needs of every individual employee.

In order to consolidate an approach based on well managed restructuring and to strengthen workers' involvement in and consideration of employees' interests during restructuring operations, the ETUC has been actively involved in European debates and initiatives on restructuring. The issue of restructuring is also a main topic of the 2006–2008 Joint Work Programme of

the European Social Partners and a series of national surveys will be carried out and conferences held between now and the end of 2008, as a follow up to the orientation for reference in managing change and its social consequences discussed in 2003.

To learn more about restructuring operations and trends within different national, sectoral and regional frameworks and to organise an exchange of worker and trade union experience, during 2006 and 2007 the ETUC has been implementing a project which forms the basis of this publication. Based on three workshops with ETUC member organisations in 25 EU Member States¹, a stock-take of restructuring trends and trade union experience in nine EU countries this publication summarises the main findings. Findings of the project were also presented and discussed at an ETUC conference which took place in Lisbon in September 2007.

Our project is designed to provide a better understanding of the various different facets of restructuring and to help devise a strategic and pro-active approach by European Trade Unions to deal with restructuring. In particular, the project should support workers' representations and ETUC member organisations in developing an effective and fully functional framework of conditions for active involvement in restructuring processes at the company level. Said conditions should also influence and shape decisions and decision-making as well as carve out an active role for information and consultation which will influence not only restructuring processes but also other strategic decisions and labour-related issues at the company level.



Although use of the term “restructuring” has become more and more widespread in European and national debates on economic, industrial, employment and social policy issues, there is still no common understanding of what exactly the term implies. From the point of view of workers and trade unions in Europe, this ambiguous conceptual framework surrounding the concept of restructuring is even more problematic because certain labour rights such as information and consultation or co-determination do not address “restructuring” in general but only certain forms of restructuring such as mass redundancies, changes in work organisation, mergers and takeovers and so forth. Against this backdrop, this publication will certainly not try to paint a comprehensive picture of all aspects and dimensions of restructuring in Europe today. Neither is it designed (or indeed able) to act as any kind of handbook of employees’ experience and trade union practice in the context of restructuring operations. Finally - and given the huge diversity of national backgrounds, frameworks and specific conditions governing trade union practice and representation of employees’ interests at company level in Europe - it is also impossible to draw up any kind of “guidelines” as to how best to deal with restructuring operations. We therefore summarised main findings of our project and structured them with the ETUC and its member organisations in two publications:

First, this publication which is documenting main findings of a stock-take of patterns of restructuring in Europe today and national frameworks as well as concrete experiences of worker involvement in restructuring in nine European countries. The main objective of this publication is to throw a light on both the overall context

2- See “Toolkit Restructuring - Key findings of the ETUC project on consolidating employee involvement in restructuring operations”

and the significant variety of frameworks of employee involvement in restructuring which might be helpful to better understand the overall issue from a workers' point of view. Secondly, a more concise publication which is summarizing key findings of the project and basic ideas on consolidating worker involvement in restructuring².

We hope that these documents may complement other trade union initiatives, projects, handbooks and guidelines which have been developed and implemented recently by European Union Federations and ETUC member organisations (see more information on this in the section on further reading).

Finally, we would like to thank all ETUC member organisations, representatives from individual companies and others who actively participated in the project and contributed to its findings.

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Expert

DEFINING RESTRUCTURING

Despite so much talk about restructuring our empirical knowledge of it is limited. According to the European Commission, every year, 10% of all European companies are set up or closed down. It is estimated that on average, between 5,000 and 15,000 jobs are created and lost every day in each of the Member States.

However, what we don't know is: what proportion of these figures might be regarded as being the result of various forms of restructuring? Which types of jobs in terms of quality, payment and working conditions are lost and which types are created? What are both the quantitative and qualitative effects of restructuring on regions and regional development prospects? What effects does restructuring have on industrial relations and representation of interests?

Corporate restructuring can take different forms:

- plant/branch/office closure;
- internal reorganisation;
- outsourcing of goods or services;
- reorganisation following merger or acquisition;
- relocation to another region or country.

These different forms of restructuring may occur in combination (e.g. internal reorganisation, outsourcing and relocation). Different forms have different features, but they also have features in common: change and restructuring is often synonymous with job cuts and loss of employment security - workers are often the only ones to pay the price of restructuring.

Different forms of restructuring often occur for specific underlying reasons, e.g.:

- increased competition;
- downturn in the market;
- advent of new technologies or new methods of production;
- management failures but also 'fashions' and trends in management tools and practice;
- demands of the financial market.

In addition, different objectives such as rationalising production, reducing costs, increasing efficiency and/or modernising production methods or shifting activities into other areas restrict the form and extent of restructuring as well as the scope for outside intervention.

The chart below illustrates the main aspects of restructuring that define its context and also determine both its form and the outcome of restructuring processes.

Variations in restructuring operations

Internal restructuring of company organisation and internal processes

- Setting up profit or cost-centres
- Reorganising the company, e.g. merger or split-up of departments/divisions
- Introducing new forms of work organisation, e.g. group/team work
- Process business-reengineering
- IT projects

Various internal change projects

- Introducing new HR tools
- Knowledge Management
- Communication projects, CSR initiatives etc.
- New working-time models

Outsourcing, Offshoring and Relocation

- Outsourcing/offshoring of single departments or entire divisions of a company
- Contracting out services/activities

Mergers and Takeovers

- Mergers resulting in the formation of a new company
- Takeovers and integration of existing companies

Privatisation and public-sector restructuring

- Privatisation of public industries and services
- Contracting out
- Public-private partnerships

Driving forces

- Globalisation of the economy
- Technological developments
- Lower communication/transport costs
- Single European Market - growing competition
- Increasing role of private equity funds and global institutional investors
- Shareholder value orientation
- Business concepts and management failures
- Political orientations

Effects

Depending on specific form, restructuring operations may result in:

- in most cases job losses, resulting in unemployment and insecurity;
- small business creation;
- worsening of labour standards and work conditions (wages, working time, social benefits);
- declining union membership and collective bargaining coverage rates;
- weakening of interest representation and its influence on company decisions;
- increased use of contract labour and agency work

A NEW DIMENSION OF RESTRUCTURING

As workers in every company can tell, change and restructuring is a permanent feature of their work experiences. Technological improvement, internal reorganisations of work, production, processes and management is taking place regularly at different paces and resulting in different effects (improvement/worsening of working conditions, more workloads, new qualification requirements, better/worsened occupational perspectives etc.).

What one might regard as a new dimension of restructuring therefore might not be really 'new' in terms of restructuring forms and situations but rather a combination of quantitative (increase in certain forms of restructuring) and qualitative aspects (new driving forces, frameworks and effects on employment and the fabric of society).

One example: During the last 15 years or so and recently at an even more accelerated pace triggered by factors like the entering of China and India onto the work market stage we have experienced a new wave of internationalisation and globalisation of our economies. In Europe, the two last enlargement rounds also contributed to increased internationalisation of trade, investments and production. Indicators are easy to identify:

- world trade increased rapidly by nearly 90% between 1990 and 2000. More than one quarter (27%) of global GDP is earned via export of goods and services;
- foreign direct investment increased from \$208 billion to \$648 billion;
- the number of mergers and acquisitions has also increased sharply from 9,000 in 1990 to 25,000 in 1999;
- finally, the emergence of institutional investors as the dominant form of multinational corporate finance should be mentioned - institutional investors' assets increased from \$13 billion in 1990 to \$36 billion in 2000

Globalisation has added new aspects to the old theme of restructuring described in fashionable terms as 'global value chain management' or 'global sourcing'.

Given these institutional investors and their increasingly prominent role in corporate finance, new principles for doing business are dominating economic life as well: shareholder value orientation is no longer a characteristic feature of corporate governance in the US or the UK but a global feature of capitalism. Alternative forms, meanwhile, have disappeared: for example, who remembers Rhineland Capitalism?

Globalisation is just one aspect which is giving restructuring a fresh dimension. Others include:

- reorganisation of the public sector both in the 'old' Europe as a result of financial crisis for the state and a change in ideology as well in the new Member States in the context of the transformation process;
- privatisation of public services and state-owned industries and services, restructuring of the Welfare State in the context of implementing EU competition policies and deregulation;
- opening up of industry and service sectors to competition and abolition of public subsidies.

All these trends and new features have a direct effect on working conditions and structural change at company and sectoral level. And since they are generating increased competition and greater pressure on labour performance and wages they are also one of the major challenges faced by the trade union movement today.

VARIETIES IN RESTRUCTURING

What became quite clear from our analysis and the reports in the workshops with colleagues from different national backgrounds was that every EU country is unique when it comes to restructuring. Both in quantitative terms as well as with regard to its main forms (e.g. outsourcing, offshoring, privatisation, various forms of internal restructuring), national experience has been extremely diverse.

The reasons are quite clear: certain restructuring patterns are related to sectoral composition, the significance of high versus low pay sectors, the pace of deregulation and privatisation, political frameworks and so forth.

However, the following common patterns emerged:

- economies with a strong share of larger companies which are also geared substantially towards global markets have experienced an abrupt increase in outward relocation of production and offshoring of corporate functions both in the manufacturing and the services industries. Significant examples in this context are the UK and Germany but also Nordic Countries like Denmark and Finland;
- in all European countries but in particular in Western Europe restructuring is accelerating the further move from manufacturing towards the service sector, in particular business services. Here again, the UK is an extreme case with nearly 1 million jobs lost in manufacturing between 2000 and 2006, which is equivalent to more than 1/5 of the workforce. Also, Germany and France experienced significant losses in the manufacturing workforce while there was a slight increase in manufacturing employment in the new Member States (+ 3.2% compared to -6.3% in EU-15);

- besides different patterns of restructuring in manufacturing, there are also other different East-West trends in restructuring as a result of different sectoral contexts: for example, agriculture plays a greater role in the new Member States and restructuring of state-owned industries such as mining, iron and steel, energy and water is also prevalent there. Another feature is that employment creation in social services, including education, as well as services in general is greater in Western Europe than in the Eastern Member States while in other services sectors the development is quite similar (retail, business services).

Even more so than in nations as a whole, industry and service sectors are affected by restructuring in very different ways. Highly internationalised and export-orientated sectors like textiles, automotive, electronics or household appliances are characterised by different restructuring patterns to those in sectors with a predominantly local (social services) or national (hotels and restaurants, retail, business services, social services) focus. At the same time, sectoral development is directly affected by changes in the regulation of world trade (textiles), European regulations (telecommunications, energy) and competition policy (shipbuilding).

There also are clearly regional dimensions to restructuring: just a brief look at major sectoral employment trends shows that disadvantaged regions (those which depend more heavily than others on traditional industries, low pay, poor infrastructure) will continue to lose out while the rich get richer.

Finally, and perhaps most importantly, restructuring situations, operational features and specific forms vary considerably depending on the size of a company. Restructuring in small companies is quite different to restructuring in medium-sized, large and very large companies.

DIFFERENT TYPES OF FRAMEWORKS AND RATIONALES FOR RESTRUCTURING

A further important finding of our project and the workshop discussions was that there is no common understanding of restructuring in Europe today: 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.

Trade union representatives' and workers' perceptions of restructuring also differ 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 in the textile sector, in Poland it's more about agriculture, mining and steel whereas restructuring debates in Spain or Slovakia might focus on the significant dependency on - foreign-owned - automotive industries.

Another important result of the discussions with trade unionists and of our national inquiries 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 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 the collective redundancy directive. In this context, two important deficits should be mentioned: firstly, due to the limited scope of regulations on collective redundancies, a large part of the SME sector is not covered. Secondly, collective redundancy legislation deals with the effects of redundancies (cushioning social effects) rather than anticipation, managing change and so on, which are important aspects of restructuring in general;

- 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 (i.e. in France and Germany) varies widely;
- an even more diverse European landscape emerges when the issue is raised of negotiations and reconciling interests: the appropriate legal provisions have been made in Germany ("Interessenausgleich") and there are some countries in which social provisions have been made (Belgium and France as well as Germany) but in most countries negotiations depend exclusively on the bargaining power of trade unions. And here again the SME sector is disadvantaged;
- 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 nine countries involved in our project:

National framework models with regard to dealing with restructuring

	Market-based frameworks	State-led frameworks	Social Partner-led frameworks
Nature	Business-driven	State-driven	Negotiation-driven
Main tools for dealing with restructuring at the company level	Severance payments	Early retirement, social plans, often including re-training and active job-transfer measures	Early retirement, social plans, often including re-training and job-transfer measures Continuing training, skills-development and innovation
Tools and measures beyond company level	Voluntary structures, e.g. regional task forces	Tripartite dialogue	Regional and sectoral initiatives by social partners
Anticipating change	Voluntary initiatives	As a basic function of public administration/authorities	Based on social partners ³ initiatives
Nature of employee involvement	Formally, information but no real consultation	Formally, consultation and negotiation depending on strength and bargaining power	Negotiations
Countries dominated by this framework	United Kingdom, Poland, Germany, Czech Republic, Finland, Hungary, France, Denmark		

³ Here, only those countries are mentioned which have been addressed in the background study carried out in the context of the project.

COMMON PROBLEMS AFFECTING WORKER INVOLVEMENT

Despite the diversity of national frameworks for anticipating, managing and reacting to restructuring in Europe, our project and the survey identified several common problems for and barriers to worker involvement in restructuring:

- insufficient and/or late information;
- no real consultation and, in most cases, no effective power on the part of worker representations or trade unions to influence the restructuring operation at company level;
- negotiating of social plans and collective bargaining only takes place in countries, companies and sectors with strong trade union membership and/or environments which are characterised by stable structures and traditions of social dialogue and social-reconciliation mechanisms;
- in only a few cases are regulations in place for workers to be actively involved in managing restructuring effects, e.g. transfer activities, redeployment, supporting suppliers and local communities affected by the restructuring operation;
- the important issue of anticipation and developing pro-active strategies is still not generally covered in national experience, although there are a few exceptions (the Nordic countries, and France also introduced elements on these issues in 2005);

- although the overwhelming majority of EWCs in Europe are experiencing restructuring operations quite regularly, only a tiny minority reports having any kind of influence over management decisions. Most EWCs are not properly informed and are hardly ever consulted; there have been only a very small number of cases in which good practice has been experienced with regard to negotiations;
- again, workers in SMEs are in a particularly disadvantaged position when it comes to legal coverage, information and consultation rights, and available resources to deal with change.

From these common deficits and problems there emerges a clear message: Existing regulations on information and consultation must be made more efficient, the EWC directive needs to be revised and work is needed on a common framework for dealing with restructuring, defining the role of different actors, workers' rights and employers' obligations and joint mechanisms for anticipating and managing restructuring.



KEY ELEMENTS OF EMPLOYMENT- ORIENTED AND RESPONSIBLE RESTRUCTURING

A more solid and coherent policy is needed to meet the challenges of restructuring and to deal with the effects of increased global competition in Europe. Positive initial steps have already been taken and there is considerable experience of good practice from which to learn. What is needed, though, is a more targeted and ambitious approach to dealing with the negative effects of restructuring - unemployment, the worsening of labour conditions and downward spirals. Therefore, the guiding principle for managing and accompanying restructuring should be a much sharper focus on employment and responsibility in terms of both avoiding more unemployment, looking at the quality of labour and the responsibility of key actors involved in the restructuring process.

As many cases of good practice presented in our project show, there is real potential for employment-orientated and responsible restructuring and this must be exploited. But this calls for more active and systematic involvement on the part of all workers - the company boardroom should not be the only seedbed for restructuring operations.

National framework models with regard to dealing with restructuring

Principles	Tools and cases of good practice
Avoiding unemployment and promoting active labour-market policy	<ul style="list-style-type: none"> ■ Scandinavian concept of “change security” ■ Employers obligation to cooperate in Italy and Spain
Alternatives to downward spirals of wages and labour conditions and generating high-quality jobs, innovation and skills development	<ul style="list-style-type: none"> ■ “Better, not cheaper” campaign of German metalworkers ■ “Union Learning Representatives” of British trade unions ■ Collective Bargaining Agreement on a Competence Development Fund in Denmark
Anticipating change	<ul style="list-style-type: none"> ■ Sectoral industry innovation committees in Finland ■ GPEC anticipation scheme in France ■ Sectoral and regional observatories of Social partners at the European and national level (e.g. Spain, Italy)
Pro-active strategies and industrial policy	<ul style="list-style-type: none"> ■ “Industry 2015” initiative in Italy ■ Collective agreement in the textile and shoe sector in Spain
Better addressing “silent restructuring” in the SME sector	<ul style="list-style-type: none"> ■ Local observatories and the concept of “Territorial Crisis” in Italy
Making frameworks more efficient	<ul style="list-style-type: none"> ■ National social dialogue and social pacts dealing with large scale restructuring in Poland ■ Improving “Job Saving Plans” and the GPEC scheme as a tool for anticipation in France
Local and regional networking and alliances for responsible restructuring	<ul style="list-style-type: none"> ■ The experience of the MG Rove Task Force in the UK ■ Local agreements on dealing with restructuring in Italy and Spain
Negotiating frameworks of social responsible restructuring at the European level	<ul style="list-style-type: none"> ■ International Framework Agreements of Global and European Union Federations ■ Framework agreements on responsible restructuring negotiated by EWCS

The following pages are describing these principles and are also documenting practical experiences of tools and cases of good practice in this context. It should be noted of course that the examples presented here are just a small selection of a wide variety of trade union initiatives and practice in this context.



1- AVOIDING UNEMPLOYMENT AND PROMOTING ACTIVE LABOUR-MARKET POLICY

The prime objective of employment-orientated and well managed restructuring must be that no one is left unemployed and excluded at the end of the process. The aim must be zero unemployment in the context of all restructuring operations. This should be a priority objective not only for governments and labour authorities but also for employers.

Good practice has shown that dismissals and redundancies are not always the best way to improve profitability, reduce costs and so forth. Often there are better and more intelligent solutions. Therefore it is important to investigate alternatives and consult workers and trade unions.

Where there is no alternative to dismissals and redundancies, it is very important to have efficient and comprehensive systems in place for redeployment. There are some good examples of national, project-related frameworks to make redeployment more efficient, enhance transition practice, provide individual coaching/support and so forth.

Tools and good practice

The Scandinavian concept of “change and employment security” is characterised not only by efficient measures and instruments but also by the general objective of making workers faced with restructuring situations and redundancy feel safe.

Finnish trade unions for example, have defined their main objective as being that of improving protection for workers facing redundancy, so-called ‘change security’ formerly put in place by the Finnish labour-market authorities in 2005. According to the ‘change security’ operational model, before commencing the restructuring process an employer is obliged to prepare a negotiation proposal, an evaluation of the scale of the dismissals and details of employment measures. This information will also be given to the employment office. The employer must then inform the employment office immediately about ending a fixed-term employment contract or dismissing workers covered by the change-security model. Subject to prior consent from the worker(s) concerned, the employer will then provide the employment office with information about the worker’s education, duties at work and work experience. This arrangement speeds up the process of putting together an employment programme and planning measures to support access to employment. Under the change security concept, the employer is also required to outline to the workers’ representative a proposal for an action plan to promote employment at the start of the cooperation procedure. The action plan must always be drawn up in cases where a dismissal threatens at least ten jobs. The objective is to enhance cooperation between the employer, workers and the employment office. If fewer than ten employees are to be dismissed, the employer must set out the ways in which it will help the worker in question to find work or training on their own as well as gain access to employment through public employment services during the notice period.

Other examples of good practice not only in Scandinavia but also in countries such as **France** and **Italy** illustrate that it is very important that **employers be obliged to cooperate** with public authorities, trade unions and so forth and that information be supplied to workers and other stakeholders at the earliest possible stage in preparation for restructuring.



2- ALTERNATIVES TO DOWNWARD SPIRALS OF WAGES AND LABOUR CONDITIONS: GENERATING HIGH-QUALITY JOBS, INNOVATION AND SKILLS DEVELOPMENT

Both at the level of single companies, in the context of collective bargaining rounds as well as in regions and in national arenas of social dialogue trade unions have started to develop and campaign for alternatives to downward spirals and generating high-quality jobs instead of competing on prices only.

There was broad agreement among all project participants that a greater focus on education and training, research, high technology and innovation is one of the key aspects of responding to the challenges of globalisation and anticipating future restructuring situations.

Tools and good practice

Examples in the context of trade union lead innovation initiatives and industrial policy concepts show that there are alternatives to concession bargaining, extending working hours and reducing pay in order to increase competitiveness and profitability: In particular the experience of campaigns like the **“Better, not cheaper” campaign of the German metalworkers**, initiatives in the textile sector and many single companies illustrate that it is important to develop pro-active approaches in order to improve the position of enterprises and sectors on the markets. The principle is easy: If the employer is demanding significant concessions from workers in terms of working hours or pay he has to be willing

to negotiate, to be open for improvements, eliminate shortcomings, encourage staff training and invest in skills development and innovation in order to stabilise the enterprise in a sustainable way.

The **“Better, not cheaper”** campaign was launched in November 2004 in a bid to prove that better instead of cheaper should be the motto. The campaign aims to make businesses in the metalworking sector in North Rhine-Westphalia more competitive on the international stage through investment and innovation. IG Metall sees the campaign as a counterbalance to the softer option often taken by companies that have lost their competitive edge. Workers often face more work but without any pay increase or shorter hours, fewer days holiday and a reduction or even the elimination of holidays or bonuses and special payments for night and weekend shifts. Now, when a metalworking company in the largest federal state of Germany demands changes to wage agreements from the works council and trade union, the workers’ representatives no longer cave in – they demand evidence of what the company intends to do in the future to increase quality levels to give it an advantage over the competition. Unless the company is willing to be completely open, it cannot expect any cooperation from the workforce and the trade unions. Only if a company undertakes to eliminate shortcomings, improve structures and working procedures, promote staff training and innovation and to invest will

the workforce be willing to negotiate on time-limited deviations from existing wage agreements.

Trade unions not only play an important role in the context of improving skills development and developing innovative concepts and industrial policy through their bargaining powers but also are able to directly influence the practice of workers and learning environments as the case of **the Union Learning Initiative in the UK** shows: The Union Learning Representatives initiative developed by trade union organisations in the UK is addressing this issue. The approach is based on the trade unions' everyday contacts to low-skilled workers who have little experience of the education system. Organised on a regional and branch basis, the unions appoint «representatives in charge of training» in the workplace. Their role is to analyse training needs, promote and supply the information the workforce requires, organise training courses and engage in dialogue with employers to implement these activities. Union learning representatives carry out their tasks during normal working hours so that workers can contact them while they are at work. The trade union education representatives are a link between workforce, employer and training agency.

While **Danish trade unions** acknowledge the efforts made by the government in the field of innovation, they also highlight certain shortcomings, in particular regarding innovation activities in the SME sector and regional disparities in terms of exploiting potential for innovation and R&D. This approach is also reflected in recent collective bargaining agreements on continuous training. The 2007 agreement between social partners in industry (which will affect about 250,000 workers and covers a three-year period) contains a number of significant changes with regard to these issues, in particular in terms of further and more robust access to continuing training. This is seen as a crucial instrument in boosting companies' competitiveness. The agreement provides for the establishment of a **Competence Development Fund for Industry** to which employers will contribute €35 per worker per week, increasing to €70 over the agreement period. These funds will be used to finance the workers' wages while they complete two weeks of continuing training.



3- ANTICIPATING CHANGEY

Tools and good practice

Based on different structures and models various initiatives and concepts like the tripartite **Globalisation Council in Denmark**, **sectoral industry innovation committees in Finland**, the **French GPEC scheme** for anticipating future skills and training needs, **sectoral observatories for social partners in the European sugar industries**, **occupational observatories in Portugal and Spain** illustrate how important it is to anticipate and monitor change in order to avoid negative effects and improve the adaptability of companies, workers and sectors alike.

To avoid the most negative result of restructuring - unemployment and closure of the company either in whole or in part - anticipating change is crucial.

Based on the numerous practical examples of good practice in the context of anticipating and monitoring change, lessons can also be learned with a view to improving European institutions in this field, in particular the *European Monitoring Centre on Change* which is, in the view of most project participants, only of little help in the context of anticipating and managing change and restructuring in Europe today.

Although recent initiatives such as the *Restructuring Forum* are welcomed in this context, there is an urgent need to develop more stable and permanent research instruments to chart the prospects of European industrial sectors to give advance warning of areas where jobs may be at risk in the future.

In our project, a number of innovative examples of this were documented and discussed.

A good example in terms both of responsible restructuring and anticipating skills development is the three-year agreement signed by Air France and five trade unions in 2006 on anticipating changes in ground staff. In the context of rapid changes in air transport (new technologies, competition with low-cost companies, rise in the price of oil, etc.), and following its merger with KLM, Air France has adopted a new approach based on anticipating change. The goal is to use foreseeable changes in various occupations to manage people and their skills. Internal mobility is encouraged and several training measures are on offer. In practical terms, this means helping workers determine their own career path through interviews, individual skills assessments and entitlement to training, helping him/her to apply for a different position within the company, making it easier to improve the skills base and encouraging mobility, giving the worker support when he/she starts a new job and so forth. Other important aspects of the agreement pertain to the definition of adapted paths during what the agreement terms as the «second stage of one's working life» through, for instance, negotiated part-time work. Finally, as required by the law, the agreement sets out the way(s) in which workers' representatives should be kept regularly informed about the company's strategy for each of its existing functions.



4- PRO-ACTIVE STRATEGIES AND INDUSTRIAL POLICY

As experiences of good practice in dealing proactively with restructuring and change show, it is important to do more than support existing sectors and industries in anticipating and managing change and restructuring. Another fundamental task is to identify those activities and sectors where future demand will increase and to support these activities systematically by investing in research and development, and providing technological investment and investment in training and qualifications.

Tools and good practice

In **Italy**, crises of manufacturing in sectors like electronics or the chemicals have contributed to a renewed discussion on industrial policy and how to regain competitiveness, which is now focussing on a recent government initiative, the “**Industry 2015**” initiative, brought forward by the Government and, particularly, the Ministry of Economic Development. The new initiative contains guidelines and proposals considered indispensable requisites by the social partners and the public authorities to retain and improve the competitiveness of Italian companies. The document notices the gap between the system’s critical state (first of all: inelasticity of sectoral specialisation, non competitive company sizes and fragmentation of the productive sector) and its opportunities for both large and small and micro enterprises. The document identifies different

tools and instruments to manage and anticipate crisis. In short, the bill defines several innovative instruments consisting in companies’ networks, two new Funds (the Competitiveness Fund and Enterprise’s Finance Fund), Industrial Innovation Projects and other actions devoted to redefining patents, the industrial ownership’s code and to avoiding companies’ crises. All trade unions representatives interviewed agree on the importance of these tools as they respond to different matters related to restructuring by providing joint solutions, based on concepts like innovation, quality, companies’ networks and collaboration, research and competition.

In **Spain**, trade unions, the government and employers in July 2007 reached a sector based agreement focussing on supporting companies affected by restructuring in the **textile and shoe industry**. The agreement seeks to promote the re-industrialisation and technological innovations of the sector through a series of economic and employment support measures such as the creation of new industrial activities in local areas (in particular in Cataluña), support for the technological clustering of innovative enterprises and for business-creation in emerging sectors. The agreement also provides for reintegration policies to alleviate the negative effects on employment. Measures, targeted to employment retention are in particular focussing on: support for continuous training in companies and special incentives for companies retaining workers aged more than 55 amongst their staff. The agreement also provides for support for the upskilling and employability of workers made redundant as a consequence of restructuring in the sector. Additional special social benefits (i.e. pension supplement) to aged workers who have spent most of their working life in the sector as well as a provision of special social benefits to workers who have lost their job, whilst they remain unemployed, are also included in the agreement.



5- BETTER ADDRESSING “SILENT RESTRUCTURING” IN THE SME SECTOR

A characteristic of public debates on restructuring is that they are overwhelmingly referring to cases and developments in the large enterprise sector. When it comes to restructuring and change in the small and medium-sized company sector, little is found in the press despite the fact that SMEs are constituting more than 99% of all private companies in Europe and more than three quarters of the workforce in many EU member states. Therefore, and not surprisingly, “silent restructuring” has emerged as the dominant term to describe restructuring operations in SMEs and sectors largely shaped by small and medium-sized enterprises like retail, craft, hotels and restaurants, large parts of the construction and transport sectors and of course agriculture.

According to most interview partners, SMEs are at a clear disadvantage compared to the large enterprises with regard to financial and other instruments for dealing with and managing restructuring situations. Therefore, restructuring often takes the form of dismissals or closures. Also from the point of view of workers confronted with restructuring operations at the workplace it makes a fundamental difference whether he/she is employed in a large company or in a small one: There are significant difference in the chance for a worker to receive practical support, advice and other resources in the case of redundancy since the small and medium sized sector is only insufficiently or partly (in most cases only companies with more than

50 workers) covered by redeployment, training, job transfer programmes or social plans.

Against this, according to most trade union representatives, the best way to better address the SME sector with regard to anticipating change and dealing with the effects of restructuring in the SME sector is to develop tools and instruments at the local and territorial level involving all relevant stakeholders.

Tools and good practice

Territorial and sectoral observatories managed and coordinated at the local and regional level seem to be an important step forward in this context. In our project several examples and initiatives have been reported from different countries, for example in Spain or Italy.

According to trade union representatives in **Italy**, anticipating crises requires responsible and committed behaviour from all actors involved. The Government, for example, has recently proposed the setting up of an **Observatory** composed by the Economic Development Ministry, The Labour Ministry and the local Chambers of Commerce. The aim is to create a permanent communication and information network between the national authorities and the territorial bodies in order to anticipate crisis: the Chambers of Commerce inform the Ministries about possible crises of local companies

in order to act preventively in supporting their activities and safeguarding employment. Such an informative mechanism needs cooperation to function and the identification of some sharing indicators, not only by the national Ministries and the Local Chambers, but even by other public and private financial bodies and by the employers. However, in order to establish an effective anticipation and observatory mechanism a new cultural approach is needed, for example, for employers to admit their failures.

Another innovative tool developed in Italy, according to trade union representatives is the use of the operative procedure of **“Territorial Crisis”** which in particular addresses the problems of small and medium sized companies. According to the Italian legal system, only the enterprises which employ more than 15 workers are entitled to ask social security cushions in case of redundancies or lay-offs. The **“Territorial crisis”** procedure makes the social security cushions available for all enterprises facing crisis within a specific area and sector.



6- MAKING FRAMEWORKS MORE EFFICIENT

Our stock-taking exercise clearly identified the need to make national and European frameworks for dealing with redundancies, dismissals and restructuring in general more efficient: there are clear problems and deficits when it comes to the real world of information and consultation. Negotiation is scarce in the context of restructuring operations.

In addition to reviewing existing frameworks and making them more efficient, new ones are also needed, in particular in the field of dealing with restructuring in SMEs and in the context of anticipating change and effective transfer and deployment mechanisms.

Good practice also showed that managing restructuring efficiently and cushioning its effects on local communities and regions requires the active participation of employers and local institutions such as the public authorities and labour offices.

Tools and good practice

In the **New Member States**, trade unions highlight the importance of **social dialogue and sectoral 'social pacts'** for cushioning the social effects of large-scale restructuring operations in order to avoid social conflict and to give redundant workers the best possible support (severance payments, early retirement schemes, qualifications etc.).

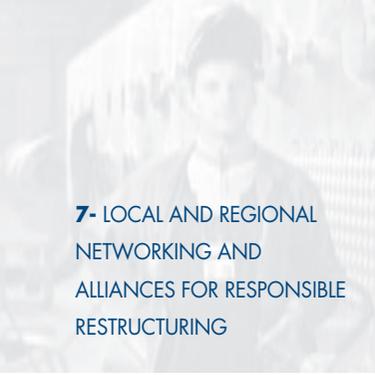
In this context, in September 2005, for example, the Polish trade union federation NSZZ Solidarno put forward an amendment to an opinion of the European Economic and Social Committee on social dialogue and worker participation in the context of anticipating and managing change. Following this amendment, the final version of the opinion included a reference to the importance of promoting social dialogue as an effective instrument in developing appropriate social packages in the context of restructuring processes.

In sharp contrast to most other European countries, **France** has developed an impressive range of instruments at both company and collective-bargaining level to deal with restructuring situations and to manage employment and the social effects of dismissals. It is also worth noting that France is one of very few European countries where statistics on the number of restructuring operations are quite readily available since

all job-saving plans must be officially registered with the labour authorities. French employers are obliged to inform and consult with workers' representatives if they are planning on making collective redundancies (defined as the dismissal of 9 or more workers during a period of 30 days) and, if the company employs at least 50 workers, to draw up a plan ("**Job Saving Plan**") detailing how the redundancies will be carried out and what measures will be taken to mitigate the effects. Employers must give workers' representatives an opportunity to formulate a response to restructuring and employment-reduction plans and consider any suggestions made by workers' representatives. However, workers' representatives have no power to veto any decision taken by the employer. After a series of high profile and controversial cases of corporate restructuring at the beginning of this century, the French government reformed some aspects of the system. Legislation dating from 3 January 2003 allows for agreements to be concluded at company level (in companies with 50 or more workers) on the procedures to be followed in a redundancy situation (*accords de méthode*). These agreements may deviate from the information and consultation provisions contained in the Labour Code and may cover issues such as the number of meetings of the works council, the time between meetings, the relationship between the works councils at different levels, alternative suggestions that the works council may propose, the way in which the employer must respond to these proposals and the use of external experts. These agreements may also cover the drawing up of a job-saving plan.

A new tool, introduced into French Law in 2005 and which takes a more robust anticipatory approach, is the **GPEC scheme** ("Anticipating the Consequences of Economic Mutations, *Gestion de l'emploi et des compétences. Prévention des conséquences des mutations économiques*). Together with the *accords de méthode* scheme, it represents the desire on the part of the legislature to encourage early anticipation. Companies with more than 300 workers (and those obliged to have a European Works Council and with at least 150 workers

in France) must engage in negotiations every three years about (a minima) how information is made available to the Works Council and consultation with the latter with respect to company strategy and its foreseeable effects on employment and wages. Negotiations must also include discussion of the implementation of an HR management device for discussion of changes in employment and skills within the company – a kind of tool to anticipate employment requirements. Using such schemes should ensure that vocational training, individual guidance, personal assessment and so forth are considered more effectively.



7- LOCAL AND REGIONAL NETWORKING AND ALLIANCES FOR RESPONSIBLE RESTRUCTURING

The specific features and development conditions and the anticipation of change and restructuring needs is addressed most efficiently if employers, workers, trade unions, political authorities and other key actors created networks, sectoral initiatives and cooperation at the local and regional level. Developing a strong territorial dimension of industrial relations and social dialogue allows acting at the right moment and considering the local and enterprise's particular conditions. By creating networks, also employees and workers representation bodies in the SME sector might acquire more bargaining power towards employers and other bodies beside the added-value of exchange of good practice and other experiences.

Tools and good practice

Cases of good practice in local and regional networking were found in many countries and reports about national trade union experience, for example the establishing of a local **"Task Forces"** integrating the whole community of economic, social, trade unions, financial as well as political and administrative actors in order to deal with the effects of large scale restructuring as in the case of **MG Rover in the West Midlands region in the United Kingdom**.

Also the concept of **"Territorial Crisis"** in Italy and practical experiences of regional and sectoral concepts in dealing with large scale restructuring or sectoral structural crisis (for more details see point 5) was reported as an innovative instrument of managing change and restructuring in a responsible way.

Developing a strong local dimension of dealing with restructuring and in particular addressing the effects of large scale restructuring at the local level is also illustrated by a tool developed in **Spain**: Here, **local agreements of employers, public authorities and trade unions** have been negotiated in order to deal with the effects of restructuring, e.g. the effects of the shutdown or delocalisation of larger companies. One prominent and recent example is the closure of the Delphi car supplier factory in Cadiz were after the closure announcement public authorities became directly involved in managing the restructuring process. The trade union agents consider the presence of the public administration to be vital in cases of Labour Force Adjustment Plans. The agreement reached by the workers' committee, the Junta de Andalusia and the Delphi executive that was ratified by the workers in July 2007 provided for redundancy payments, early retirement schemes and other financial compensation measure. As an outstanding feature, the Junta keeps part of the company's assets (including the land, the machinery and the industrial buildings) and the commitment to set up new industries on this land, for the replacement of the affected workers. The fact that the administration had subsidised the company from public funds favoured its implication, as well as the important impact the news of the shutdown had in the industrial area, that had already suffered endless other similar processes.



8- NEGOTIATING FRAMEWORKS OF SOCIAL RESPONSIBLE RESTRUCTURING AT THE EUROPEAN LEVEL

European and Global trade unions have become increasingly involved in negotiation processes aiming at reaching framework agreements on social responsible restructuring with employers of multinational companies. Some 60 so called "International Framework Agreements" defining basic standards of labour relations and trade union rights have been established so far in particular in the metalworking sector. Also, and although the rights of EWCs are formally limited to information and consultation, there is increasing evidence that EWCs are becoming far more closely involved in company development, in particular in the context of transnational restructuring processes.

Tools and good practice

The majority of EWCs involved in negotiations on restructuring issues are those within the French-based multinationals Danone (1992, 1997), Axa (2005), PSA Peugeot-Citroen (2006), Renault (2004), Total (2004) and Suez Lyonnaise des Eaux (1998), although similar examples in Germany include Deutsche Bank (1999) and Bosch (2004). Other well-known companies include General Motors (four agreements between 2000 and 2004) and Unilever (2001, 2005).

The most common themes addressed in these joint agreements are social/trade union rights, social responsibility of the employer in the context of handling company restructuring. Other topics covered include health and safety, skills training and gender equality. A recent example of such an agreement in particular focussing on the anticipation of transnational restructuring has been the agreement between the European Metalworkers' Federation EMF and the Schneider Group which was signed in Summer 2007. Including other measures, the agreement provides change management activities for workers in order to permit them to permanently develop their skills throughout their professional career.

CONCLUSION

Trade unions have, from their formation, been confronted with restructuring and structural change affecting and influencing the conditions of work and labour of workers both positively and negatively.

Given both the large variety of driving forces of restructuring, operational features and effects on employment as well as the major diversity within Europe, a single 'recipe book' of strategies or a unique 'toolbox' is neither desirable nor possible.

The overview of key elements of an employment-oriented (as opposed to profit and short-term oriented only) and responsible restructuring and the examples of instruments and tools of good practice in this context rather illustrate the importance of a pro-active trade union and workers' involvement at all stages (before, during and afterwards) of restructuring processes and the importance of the involvement of different actors in the restructuring operation netting.

Our project and the national experience evaluated in this context also clearly illustrates that in particular trade unions play a crucial role in order to safeguard an employment-orientated and responsible restructuring process: Not only in order to avoid a break away the isolation and atomization of workplace interest representation and to equip workers with the right practical support tools and know-how but also in order to combine company related activities and struggle for responsible solutions with the wider environment of local and regional labour markets, sectoral industrial development and other framework conditions beyond the company.

Finally, our project gave proof of the growing relevance of the European and international level of trade unionism in restructuring since more and more processes of industrial change are resulting from driving forces and developments clearly beyond the national horizon. European industrial unions and the ETUC have started to get prepared for this demanding role but obviously there are still many challenging tasks to meet in this regard.

Beside the ongoing struggle to improve European and national frameworks of workers involvement and general frameworks of social responsible restructuring in the context of social dialogue and campaigning the practical experience gathered and documented in our project showed that rather than inventing new concepts and tools a main task for European trade unions might be seen in the organisation of a systematic and well structured reporting and learning process with regard to better applying existing instruments and using already proven tools and concepts for employment-oriented and responsible restructuring.

With view on this organisation of reporting, documenting and learning processes the ETUC might play an important role.

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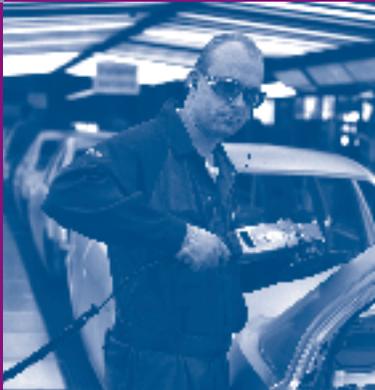
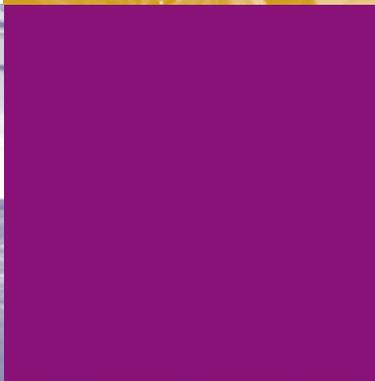
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