REVISITING RESTRUCTURING, ANTICIPATION OF CHANGE AND WORKERS PARTICIPATION IN A DIGITALISED WORLD

– REPORT TO THE ETUC –

FEBRUARY 2016

Prepared in the context of the ETUC project on Workers Participation 2015/16 and based on discussions with ETUC affiliates and ETUFs during a workshop in Lisbon in May 2015

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1. INTRODUCTION

The ETUC as well as the ETUFs during the last two decades have been actively involved in the EU level debate on how to improve frameworks conditions for trade unions, employee representatives as well as individual employees in contexts of corporate restructuring – in regard to anticipation and also the handling and management of restructuring operations both at national as well as cross-border level. In various occasions, in trade union run studies and cooperation projects, in bilateral as well as trilateral dialogue structures and events at EU level it has been highlighted and stressed by European unions that there is a need for a substantial strengthening of workers' rights in order to model and shape a fair handling of corporate restructuring and strengthen the capacity to anticipate change.

Key positions and demands of the ETUC and European union federations have been highlighted in the resolution of the ETUC executive in March 2012 that stresses five elements in particular as key to EU action on the anticipation and management of change (ETUC 2012):

1. Preparing and enabling workers: key role of education and training
2. Maintaining and creating jobs: key role of industrial policy
3. Giving workers a voice and place in strategic decisions: key role for information, consultation and participation
4. Ensuring a European legal framework: key role of collective bargaining
5. Providing a safety net: key role for active labour market policies, social protection and support measures.

And with view on transnational corporate restructuring, a joint project of the ETUC and industriAll, UNI Europa, EFFAT and EFBWW that was implemented between December 2012 and June 2014 showed that the existing frameworks of anticipating and cushioning the effects of corporate restructuring too often don’t work in practice because of their voluntary nature, ‘build-in’ faults or other shortcomings. Too often existing rules are not obeyed or even actively undermined by employers’ and management (ETUC/SDA 2014).

At the same time, social and economic changes in Europe since the 2008 crisis and as a result of the Euro crisis after 2010, austerity programmes and structural reforms not only have accelerated corporate restructuring but also have increased the pressure on workers’ rights, collective labour relations and workers participation throughout Europe.

Against this, and also with view on the EU Commission’s review of the “Quality Framework for Anticipating Change and Restructuring” in 2016 and the consultation on the Consolidation of the three directives on information and consultation that was launched in April 2015 and the review of Recast Directive on European Works Councils in 2016, the ETUC in the context of the activities on workers participation currently is carrying out a number of actions that also address the issue of restructuring and anticipation of change. The aim of these is to revisit and rethink positions on restructuring in the light of more recent restructuring trends (including the already visible and likely impacts of the digitalization of our economies) and new needs and challenges emerging from this for workers information and consultation as well as participation in anticipating and managing change and contrast this with the disappointing results of more than a decade of mere talks and policy symbolism that strongly characterizes activities by European institutions as well as within cross-sectoral social dialogue.

After a high-level meeting of ETUC affiliates and ETUF representatives on restructuring and anticipation of change that was held in Lisbon in May 2015, this background paper aims at providing background material and information on current trends and changes in corporate restructuring, summarizing key shortcomings of the European frameworks and regulation with view on workers participation in restructuring and – finally – sketching key aspects that would characterize a fair model of dealing with restructuring and a better anticipation of change at company level and beyond.

As will be shown in the following sections, restructuring and change during the last years not only have accelerated and have become even more an everyday features of corporate affairs but also requirements and needs to provide support for company level workers representatives at national as well as European level have increased. With view on this and in the context of the articulation of interests at local, regional, national as well as European level employee representation bodies experience of good
practices clearly indicates the important role of coordination, communication, providing expertise and guidance as well as resources for exchange and consultations amongst workers representatives. Here, the European trade unions are the key actors in the field and – against the accelerated speed of restructuring and change – have to find solutions how to engage and invest more in terms of resources and time in support and facilitating measures for workers representation bodies.
2. TRENDS AND CHANGES IN RESTRUCTURING AFTER THE 2008 CRISIS

2.1 CRISIS RELATED RESTRUCTURING HAS DESTRUCTED MILLIONS OF JOBS IN THE EU

Although Europe has always undergone phases of accelerated restructuring in specific sectors (e.g. steel, textiles) or national economies (e.g. the transformation process in Central and Eastern Europe), restructuring after the 2008 crisis is different. The crisis brought to an end a comparatively long phase of net job creation and resulted in a sharp and continuous increase in unemployment that is continuing in most Member States. In 2014, there were 6 million fewer Europeans in employment than at the outset of the financial and economic crisis in 2008 (Eurofound 2015a).

It also accelerated industrial decline in Europe. Restructuring became an ongoing feature of economic life resulting from technological progress and innovations, and societal and political changes affecting, in particular, labour market and social policies.

According to the “European Restructuring Monitor” (ERM) that is run by the EU financed Eurofound agency in Dublin, more than 2.8 million jobs have been lost due to restructuring between 2008 and the end of 2015. At the same time the amount of job creation significant lagged behind and accounted only for around 1.4 million jobs, resulting in a net loss of more than 1.3 million jobs.

With regard to the form of restructuring, one catch-all, residual, category ‘internal restructuring’ accounts for a majority of cases in the ERM dataset before and after the crisis. Around 70% of job losses are attributable to internal restructuring.

Restructuring due to bankruptcy or closure has continued to account for an increased share of job loss post-crisis compared to pre-crisis (23% compared with 15%). Cases of offshoring, outsourcing and/or relocation represented a modest 4% of job loss post-crisis compared with 9% beforehand. Similarly, the recent share of job loss attributable to merger/acquisitions suggests that corporate merger activity may be strengthening after a crisis-induced decline.

Manufacturing is the broad sector that accounts for most announced job losses and job gains in the restructuring events database. By virtue of its case size eligibility

JOB LOSSES AND JOB GAINS 2008 – 2015 ACCORDING TO THE EUROPEAN RESTRUCTURING MONITOR

Source: Own calculation, based on Eurofound, ERM Quarterly Reports.
thresholds, manufacturing is over-represented in the ERM dataset of restructuring cases and announced job losses. Its share in employment has tended to decrease for years and this trend has accelerated since 2008 – in stark contrast to the ambitious EU goals in regard to re-industrialisation. Today, only one in six European jobs is now in manufacturing compared with one in four in 1980.

But it is not only manufacturing that massively has experienced job losses due to crisis-related restructuring since 2008. Other post-2008 trends have been:

- an increasing share of job destruction in the retail sector;
- the major increase in the share of public administration in job losses, in particular after 2010 as a result of austerity;
- as well as a significant increase in the share of financial services job losses in 2013–2014, likely as a combined effect of Euro-crisis-related restructuring, mergers and concentration of the market as well as globalization trends.

The representative data from the EU LFS confirms many of the trends at sector level observed in the ERM restructuring data. Since the onset of the crisis in 2008, the largest declines in employment have taken place in manufacturing (4.7 million) and construction (almost 3.6 million).

Within the manufacturing sector, employment losses have been most severe (>15% of total employment) in basic, low-tech subsectors such as basic metals, textiles, clothing and leather, and wood, paper and printing while machinery, food/beverages and pharmaceuticals suffered more modest employment declines (<5%).

The data show an altogether gloomier picture for European manufacturing employment: there has been a contraction of employment in every one of the main sub-sectors since 2008. Even if the peak crisis period of 2008–2010 is excluded and only developments since 2010 are taken into account only three sectors – machinery, auto/transport and computers – have recorded net employment gains as the following figure shows.

**SHARE OF ANNOUNCED JOB LOSSES/GAINS BY BROAD SECTOR, 2002 – 2014 (%)**

![Graph showing the share of announced job losses/gains by broad sector from 2002 to 2014.](image)

Source: ERM 2002-2014

**EMPLOYMENT BY SECTOR 2008 – 2013: MANUFACTURING**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment (000s)</th>
<th>Share of total emp</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2013</td>
</tr>
<tr>
<td>C - Manufacturing, of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA - Manuf: food, beverages and tobacco</td>
<td>38143</td>
<td>33406</td>
</tr>
<tr>
<td>CB - Manuf: textiles, clothing, leather</td>
<td>3255</td>
<td>2406</td>
</tr>
<tr>
<td>CC - Manuf: wood, paper and printing</td>
<td>3321</td>
<td>2546</td>
</tr>
<tr>
<td>CD - Manuf: coke, petroleum products</td>
<td>244</td>
<td>208</td>
</tr>
<tr>
<td>CE - Manuf: chemicals</td>
<td>1463</td>
<td>1286</td>
</tr>
<tr>
<td>CF - Manuf: pharmaceuticals</td>
<td>800</td>
<td>782</td>
</tr>
<tr>
<td>CG - Manuf: rubber, plastics etc</td>
<td>3396</td>
<td>2892</td>
</tr>
<tr>
<td>CH - Manuf: basic metals</td>
<td>5789</td>
<td>4765</td>
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<tr>
<td>CI - Manuf: computers etc</td>
<td>1731</td>
<td>1580</td>
</tr>
<tr>
<td>CJ - Manuf: electrical equipment</td>
<td>1576</td>
<td>1357</td>
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<tr>
<td>CK - Manuf: machinery etc</td>
<td>3327</td>
<td>3181</td>
</tr>
<tr>
<td>CL - Manuf: transport</td>
<td>4312</td>
<td>3956</td>
</tr>
<tr>
<td>CM - Manuf: other and repair</td>
<td>3811</td>
<td>3573</td>
</tr>
</tbody>
</table>

Source: Eurostat Labour Force Survey
In terms of balancing gains, the only sector to record net employment growth of more than one million jobs was residential care and social work activities (+1.3m). The majority of service sectors continued to add employment though, with some notable exceptions including core government functions (such as public administration and defense) which suffered a 5% decline, and the telecommunications sector which shed 22% of pre-crisis employment. Growth was fastest in IT and information services (+15%), and in other professional, scientific and technical activities, as well as residential care and social work activities.

**EMPLOYMENT BY SECTOR 2008 – 2013: OTHER SECTORS**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment (2008)</th>
<th>% change</th>
<th>Share of total emp 2008</th>
<th>Share of total emp 2013</th>
</tr>
</thead>
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<tr>
<td>D</td>
<td>1559</td>
<td>72</td>
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<td>0.8</td>
</tr>
<tr>
<td>E</td>
<td>1601</td>
<td>59</td>
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<tr>
<td>F</td>
<td>18660</td>
<td>-3628</td>
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<td>6.9</td>
</tr>
<tr>
<td>G</td>
<td>31657</td>
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<td>14.1</td>
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<tr>
<td>H</td>
<td>11584</td>
<td>-441</td>
<td>5.2</td>
<td>5.1</td>
</tr>
<tr>
<td>I</td>
<td>9400</td>
<td>316</td>
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<td>JA</td>
<td>2005</td>
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<td>JB</td>
<td>1435</td>
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<td>1.3</td>
<td>1.5</td>
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<tr>
<td>K</td>
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<tr>
<td>L</td>
<td>1666</td>
<td>103</td>
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<tr>
<td>MA</td>
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<td>630</td>
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<td>3.7</td>
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<tr>
<td>MB</td>
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<td>46</td>
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<td>0.4</td>
</tr>
<tr>
<td>MC</td>
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<td>359</td>
<td>1.0</td>
<td>1.2</td>
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<tr>
<td>N</td>
<td>8067</td>
<td>720</td>
<td>3.6</td>
<td>4.0</td>
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<tr>
<td>O</td>
<td>15737</td>
<td>-774</td>
<td>7.1</td>
<td>6.9</td>
</tr>
<tr>
<td>P</td>
<td>15492</td>
<td>615</td>
<td>7.0</td>
<td>7.4</td>
</tr>
<tr>
<td>QA</td>
<td>12740</td>
<td>589</td>
<td>5.7</td>
<td>6.1</td>
</tr>
<tr>
<td>QS</td>
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<td>1307</td>
<td>3.8</td>
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<tr>
<td>R</td>
<td>3442</td>
<td>104</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>S</td>
<td>5405</td>
<td>25</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>T</td>
<td>2543</td>
<td>40</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Eurostat Labour Force Survey
2.2 RESTRUCTURING IN SMES AND THE PUBLIC SECTOR

Restructuring is likely to have different manifestations in SMEs than in larger firms, though little is known about the details of restructuring in SMEs and its outcomes. A recent EU-wide research study (Eurofound 2013, see also Eurofound 2016) investigated the relevance of different forms of restructuring for SMEs, such as the drivers of change, the main characteristics, the success factors and the constraints of SME restructuring, as well as the effects of restructuring on companies and employees. Key conclusions are as follows:

- In the short-term, the economic and employment situation in smaller firms is more stable than in larger enterprises; over time however, effects on smaller companies may be more severe and longer-lasting.
- Internal restructuring, business expansion and bankruptcy/closure are the most common forms of restructuring in SMEs.
- Restructuring in SMEs tends to be carried out in a reactive, unplanned way and without formal restructuring plans. The owner/manager has a core role in SME restructuring, supported by various internal and external stakeholders. It is not common for staff representatives to be involved as the majority of SMEs have no formal staff representation structure.

While external factors driving restructuring are common regardless of company size, in SMEs the internal drivers are different - including factors such as the personal ambition of the owner, limited resources and dependence on a few clients or suppliers.

The financial crisis of 2008, and in particular the crisis of public finances, has had a significant impact on the public sector and has accelerated restructuring within public services. According to the 2014 ERM Annual Report (Eurofound 2015a, p. 1) more than 800,000 net job losses have been recorded in the core public sector (public administration), which has contracted faster than the overall workforce since 2008.

According to data from the fifth European Working Conditions Survey (EWCS), a higher share of public as opposed to private sector workers (41% v 35%, EU27) reported ‘substantial restructuring’ in the previous three years at their workplace (the EWCS survey is based on data of 2010). (Eurofound 2015a, p. 7)

Public sector restructuring, however, is not a new phenomenon for many Member States. Reforming and reorganising some public sector entities with the aim to rationalise structures and increase cost efficiency has been ongoing for some decades, e.g. as a result of internal restructuring and outsourcing according to the concept of New Public Management (Wild/Voss 2010, Naumann/Naedenoen 2013, Vaughan-Whitehead 2013).

2.3 QUALITATIVE TRENDS AND PATTERNS OF RESTRUCTURING: GROWING POLARISATION IN THE LABOUR MARKET

Further to job losses, the 2008 crisis resulted in a growing polarization and asymmetries between different job categories in the EU labour market. As highlighted in a recent analysis of longer-term shift in the employment structure (Eurofound 2015b), over the three-year period 2011 – 2014 employment creation in the EU was “asymmetrically polarized”, with growth in well-paid as well as lowest-paid jobs and declining employment in the middle of the wage distribution. A further result of the analysis of changes in the employment structure has been that in the context of the slight economic recovery lower paid services jobs have accounted for a large share of employment growth.

This also reflects the trend that since the 2008 crisis, the share of non-permanent and part-time employment has increased rapidly. Within the three year period between 2011 and 2014, part-time employment grew constantly and accounted for 2.3 million net new jobs, while full-time employment continued to decline and contracted by around 1.7 million jobs (Eurofound 2015b, p. 26). The share of part-time work has increased particularly sharply in countries such as Austria, Germany (today accounting for around one quarter of all part-time workers in the EU) and the Netherlands (where since 2014, the number of part-time workers overtook that of full-time workers for the first time in history). And even in those countries that are characterised by a strong and continuous increase in unemployment such as Greece or Spain, there has been positive growth in part-time employment.

These changes in the labour market have devastating effects on workers because the increase of part-time jobs mainly happens in the lower income groups and low-paid service occupations. Such severe labour market deterioration has had strong social consequences with those citizens that are threatened by at-risk-of-poverty and social exclusion rising by more than 6 million since 2008, reaching 123 million in 2013 (EU Commission 2015, p. 17) and affecting around one quarter of the total EU population. This means that the Europe 2020 strategic objective of lifting at least 20 million people out of the risk of poverty and social exclusion has become another very distant target.
The proportion of people at risk of poverty or social exclusion has risen in most member states since 2008, but particularly strongly in those countries where the 2008 crisis was followed by structural reform programmes and austerity, i.e. Greece, Spain, Cyprus, Ireland and Portugal. Only in a few countries relative poverty has decreased (e.g. Poland, Romania, Slovakia and Austria). In two thirds of the EU member states, poverty has increased since 2008. And in those countries (e.g. in Eastern and Southern Europe) where deprivation had been improving before the crisis, this positive trend was reversed after 2008.

Thus, further to job losses, the increase in precarious work and insecurity for many people must be regarded as a huge additional challenge and barrier for a return to a sustainable and social just and sustainable economic and social path of recovery.

2.4 GAPS BETWEEN COUNTRIES HAVE INCREASED SIGNIFICANTLY

The crisis has resulted in an increasing polarisation of labour markets performance, with unemployment rates ranging from below 5% (seasonal adjusted, November 2015) as in Germany and the Czech Republic in Austria) to nearly 25% (in Greece).

Today, there is a wide gulf between the center and the periphery in Europe. While the periphery, Eastern and Southern Europe have slumped dramatically, the centre and North of Europe are standing their ground. Restructurings have to be looked at in a context of a long lasting crisis and increasing polarisation of labour markets in Europe. The North-South and Centre-Periphery polarization also is the outcome of the current policy framework of austerity and economic governance in the aftermath of the 2008 crisis.

Since 2008, however, most employment and social indicators point to a growing divergence between the southern and peripheral European Member States and those of Northern and Central Europe. Divergence is most striking between the North and core parts of the euro area and the South and periphery countries. These divergences are a sign that the EU does not fulfill its fundamental objective to benefit all its Member States by promoting social and economic convergence, and to improve the lives of all citizens.

In this context it is quite striking that neither the EU Commission nor the “European Restructuring Monitor” (ERM) deliver any aggregated data and information on country clusters and groups so that the fact that some countries are harder hit than others is treated only marginally. Though Eurofound has produced some valuable pieces of research on the issue (see the map below), much more in-depth analysis would be needed in order to explore the links between crisis, austerity and job destruction/creation in the context of restructuring. Important topics to be addressed here would be in particular:

- research on crisis-related/induced restructuring
- the link between corporate restructuring and the increase in precarious forms of work
- differences in corporate restructuring between those countries that have mastered the 2008 crisis relatively well and those still facing economic and social deterioration
- differences between these country groups with view on structural change in the manufacturing sector, the transformation towards the digital economy, etc.
With the financial crisis and the imposed austerity measures, the social costs of restructuring have not only been dramatic but also spread very unequally throughout Europe. It has become clear that some countries have been hit harder than others by measures resulting in a lowering of wages, cut public spending and reduce social benefits and pensions that have led to further job losses and increased precarious work and insecurity for many workers and their families. As a consequence there is a growing economic and social divergence amongst European countries, which signals the incapacity of the EU to promote social cohesion and convergence across EU countries.

2.5 AVOIDING A REGIONAL “DIGITAL DIVIDE” IN EUROPE

We are currently facing an accelerated phase of structural change that is driven by “game changing” technologies and the digitalisation of our economies and working life that involves disruptive changes in business models, value chains and whole industries and services, triggered by new possibilities of information and communication technologies, networking (“Internet of things”) and rapidly increasing capacities of processing power and data handling and storage (“cloud”). Digitalisation is not just a technological issue or a question of the market; it is also about just transition of traditional jobs to digital jobs in the industrial and the service sector, it is a question of future society and its cohesion. Digitalisation is a megatrend for the world of work that raises a number of important questions. Some researchers suggest it the digitalisation will be the first industrial revolution without growth and a number of questions are emerging in this context with view on the future of work and employment:

- Will digitalisation increase the volume of employment, stabilise it, or destroy jobs?
- In which sectors and occupations jobs will disappear and in which areas will new jobs be created?
- Which needs are arising in terms of education, skills development and lifelong learning as well as occupational adjustments?
- Which type of employment in terms of contractual arrangements and employer-relations will emerge as a result of the network economy and the accelerating decoupling of time and space in a digitalised world (i.e. the growing trend of “crowd-working” and “cloud employment”)?
- How can a smooth transition to digital jobs be ensured in industries and services without workers bearing all the social costs?
Without doubt, such a smooth transition making the best out of the potentials of the digitalisation for wealth, employment creation and working conditions will require a pro-active public support, investments in skills and education as well as active employment and industrial policies.

However, when taking stock of EU level initiatives such as the Digital Agenda or national approaches of supporting and fostering digitalisation, industry 4.0 projects or skills and education policies, it becomes immediately evident that those countries and regions at the centre have been much more active than those at the periphery. In terms of investment, pro-active policies to foster change and integrated public policies the already existing gaps within the EU are increasing. With view on the future, this will further contribute to the erosion of economic and social cohesion in Europe along North-South, West-East and Centre-Periphery divides.

With view on the capability of EU countries to manage the industrial transition process and the availability of framework conditions such as innovation policy and networks, the existence of a qualified workforce, a recent analysis of a business consultancy has identified four groups of countries in Europe: According to the study there is a relatively small group of “frontrunners” (Sweden, Austria, Germany, Ireland) characterized by a large industrial base and modern, forward-looking business conditions and technologies (Sweden, Austria and Germany) that seems to be best prepared for the technological and economic change to come.

In contrast, there is a group of “hesitators” (most numerous) that include countries such as Spain, Portugal and Italy. This group and in particular those countries that suffer from severe fiscal problems according to the study is “not able to make their economies future-proof.” (Roland Berger 2015, p. 17).

Therefore, the ETUC in commenting on the EU Commission’s “Digital Agenda” has called for putting the question of the future of work at the centre of the debate on digitalisation:

It is of the utmost importance to steer digitalization in a sustainable and fair direction before millions of jobs are jeopardised in Europe, adding to the already high level of unemployment, and before working conditions are dramatically affected. It is high time to kick off a European dialogue over digitalization. (The digital agenda of the European Commission: Preliminary ETUC assessment, endorsed by the Executive Committee on 17-18 June 2015)

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**DIGITISATION READINESS – DISPARITIES IN EUROPE**

<table>
<thead>
<tr>
<th>Country</th>
<th>Readiness Index</th>
<th>Manufacturing share (% of GDP; index)</th>
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<tbody>
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<td>Belgium</td>
<td>5</td>
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<td>Denmark</td>
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<td>Frontrunners</td>
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3. A LOST DECADE WITH VIEW ON WORKERS PARTICIPATION AND SOCIAL DIALOGUE ON RESTRUCTURING

3.1 HOLLOWING OUT THE EUROPEAN SOCIAL MODEL OF WORKERS PARTICIPATION

The accelerated and increasingly asymmetric patterns of restructuring in Europe since 2008 not only gave way to growing economic and social polarisation and divergences but also have affected the rights and tools of workers and trade unions to deal with change and gave way to growing inequalities in the capacities and available resources to deal with restructuring in Europe.

In some countries, and in particular in the Southern European ‘programme’ countries austerity measures and “structural reforms” have also weakened systems whereby, previously, change could be anticipated in a socially acceptable way and workers were cushioned from the most negative impacts of restructuring. Attacks on collective bargaining structures and trade union rights, as well as reduction of protection against dismissals and redundancy compensation, have all had an impact on the ways of coping with the effects of restructuring and mitigating the negative effects on workers.

Commenting on this hollowing out of workers participation in restructuring, industriAll in a recent resolution on restructuring and anticipation states:

As a result, we have seen increasing inequalities in the treatment of restructuring across Europe, with a number of countries in which the role of workers’ representatives and trade unions in influencing and negotiating change has been constantly undermined. At the same time, we have also seen the positive outcomes of stronger cooperation and well-established social dialogue in other countries. These inequalities are very much felt in European Works Councils (EWCs) in multinational companies which are undergoing transnational restructuring processes. (industriAll 2015, p.2)

Similarly, the ETUC in its Action Programme for 2015 – 2019 (ETUC 2015) that was adopted at the Congress in October 2015 in Paris stressed the increased gaps in the existing legal framework regarding the workers’ ability to comprehend the whole dimension of change and to engage in meaningful consultation and anticipation of restructuring.

Experience from EWCs, both good and bad, shows that biased or partial information and consultation procedures threaten workers’ ability to comprehend the whole dimension of change and to engage in meaningful consultation and anticipation of restructuring. The existing legal framework is unsatisfactory due to enormous differences between Member States. (ETUC 2015, p. 28)

Since 2008 and in particular against the background of a sharp rise in unemployment and the increasing economic and social gaps within the European Union, the crisis has also resulted in a severe crisis of the European social model that has been described by a British sociologist as follows:

The European social model is in fact a mixture of values, accomplishments and aspirations, pinned together in varying terms, and with varying degrees of success, in different countries. The values include sharing risk through social insurance, limiting economic and social inequalities, promoting workers’ rights, and cultivating a sense of mutual responsibility or solidarity across the society. (Giddens 2014, p.88)

By concentrating on enormous spending on rescuing a financial sector and ‘structural reforms’ that include cuts in public spending, privatisation, reduction in wages and social benefits and undermining frameworks of collective bargaining and job security, the EU has adopted an approach of economic and monetary governance that tends to view social progress and achievements of the past at best as a luxury add-on.

Furthermore, and mainly as a result of the growing disparity within Europe following the fiscal crisis (see section 2.4 above) austerity measures and deregulation have also weakened systems whereby, previously, change could be anticipated in a socially acceptable way and workers were cushioned from the most negative impacts of restructuring. Attacks on collective bargaining structures and trade union
rights, as well as reduction of protection against dismissals and redundancy compensation, have all had an impact on the ways of coping with the effects of restructuring and mitigating the negative effects on workers.

### 3.2 WISHFUL THINKING AND HARSH REALITIES OF INFORMATION, CONSULTATION AND WORKERS PARTICIPATION IN RESTRUCTURING AND ANTICIPATION

Since the end of the 1990s EU labour law has established a number of legal frameworks that aim at establishing a uniform minimum standard of employee rights and obligations of employers in situations of restructuring. The Commission first consulted formally with the European cross-sector social partners on this issue in 1997, looking specifically at how employee representatives could be consulted about and involved in restructuring processes. The impetus for this was a high-profile case of restructuring carried out by the French motor manufacturer Renault in 1997, when the company decided to close its plant in Vilvoorde, Belgium, without prior information and consultation of the workforce. Following this consultation of the EU-level cross-sector social partners, the Commission drafted a new Directive on national information and consultation of employees. This Directive provides a framework for information and consultation of employees in all companies of 50 employees or more, on a range of issues, including restructuring that is likely to have an impact on employment (Directive 2002/14/EC).

Other EU Directives that play a role in restructuring, in terms of establishing conditions for informing and consulting the workforce concerning any plans to restructure that may have an impact on employment, including in events such as collective redundancies, company transfer or insolvencies:

- In 1980, the EU Directive 80/987/EEC (mended 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 1994, the EWC Directive (revised by the Directive 2009/38/EC) defined minimum information and consultation rights in transnational companies in the European Union with at least 1,000 employees within the EU member states and with at least 150 employees in each of at least two member states.
- In 2002, Directive 2002/14/EC established a general framework for informing and consulting employees in all companies with 50 employees or more in certain issues, including restructuring.
- Finally, 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).

This patchwork of legislative regulation however has not prevented situations where the workers’ rights of being informed and consulted massively has been ignored, in particular when it comes to restructuring and mass redundancies. A notorious case that has been compared with the Vilvoorde case in 1997 happened in Greece in 2013 when the state owned broadcasting company ERT announced the layoff of more than 2,500 workers without any prior information, consultation or participation of workers representatives or employee board members.

The ERT not only illustrates a critical weakness of the 2002/14 Directive of Information and Consultation that is the exclusion of public services from its scope. It also shows that in particular in situations of redundancies legislative frameworks such as the regulation on collective redundancies (which also applies for the public sector) too often are violated and fundamental workers’ rights are disregarded.

Therefore, the ETUC strongly has demanded that the information and consultation framework needs to be improved in view of anticipation and management of change in the case of mergers, takeovers, plant closures, mass layoffs or other important changes such as reorganisation or restructuring (ETUC 2013). This demand also has been stressed in the light of the so-called ‘fitness check’ of three directives that deal with information and consultation of workers by the EU Commission that was carried out in 2012-2013.

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1 Another consequence of the ‘Renault case’ cited above was that the European Monitoring Centre on Change was set up in 2001, based at the European Foundation for the Improvement of Living and Working Conditions, in order to monitor and report on cases of restructuring.

2 For further information and joint action of the European trade unions in solidarity with the ERT workers, see: http://www.epsu.org/a/9586.

3 This involved not only Directive 2002/14, but also the Directive on collective redundancies 98/59 and the directive on transfers of undertaking 2001/23. See EU Commission 2013a.
Based on experience of ETUC affiliates and colleagues at company level the ETUC has highlighted gaps (e.g. in regard to the coverage of SMEs, seafarers, public administration), uncertainties and practical problems in using the legislation. The overall assessment was that the provisions were insufficient and needed updating. In its resolution of 2013, the ETUC also highlighted that there are incoherencies in the content of the directives, for instance regarding the definitions of information and consultation and therefore suggested to apply one single definition of I&C, namely the one included in the recast EWC- or SE-Directive and use them for all directives.

Further and more fundamental demands of the ETUC regarding improvements of information and consultation frameworks in the three Directives and beyond are:

- **Strengthening enforcement.** The three Directives merely rely on the Member States to determine effective and dissuasive sanctions in case of violation of information and consultation rights. This is insufficient as the legal obligations to inform and consult in good time are frequently not respected in practice. Therefore, failure to respect the Directives must consistently be sanctioned in all the Directives. Here, the ETUC demands that that in case of grave and/or persistent violation of EU law, the challenged decision is suspended until the applicable information and consultation procedures are completed.

- **Information and consultation must cover the whole value chain.** Mechanisms such as joint and several liabilities between the relevant companies in the value chain (upstream supplier, subcontractors, and dependent companies downstream) should be explored. Directive 2001/23/EC could usefully foresee joint meetings between workers’ representatives in the transfer or and the transferee companies.

- **Workers’ right to make use of external expertise.** The 3 Directives would benefit from additional rights to expertise for workers’ representatives as well as dismissal protection.

However, after the EU Commission launched a first phase consultation on a “consolidation” of the three Directives on the information and consultation of workers in April 2015 (EU Commission 2015a) and the ETUC has presented a joint position of the European trade unions in this context, there has been a remarkable silence of the Commission and no indication of any concrete further activities.5

### 3.3 EWCS AND TRANSNATIONAL CORPORATE RESTRUCTURING: THE OVERALL REALITY STILL SHOWS DISAPPOINTING RESULTS

Although Europe has always undergone phases of accelerated restructuring in specific sectors (e.g. steel, textiles) or national economies (e.g. the transformation process in Central and Eastern Europe), restructuring after the 2008 crisis is different. The crisis brought to an end a comparatively long phase of net job creation and resulted in a sharp and continuous increase in unemployment that is continuing in most Member States. It also accelerated corporate restructuring which became an ongoing feature of economic life resulting from technological progress and innovations, and societal and political changes affecting, in particular, labour market and social policies.

In the context of transnational corporate restructuring European Works Councils play an important role. They are at the heart of European worker representation and social dialogue in multinational companies as well as the only genuinely European bodies for information and consultation in the workplace. The legislation on EWCs was adopted in 1994 and improved in 2009. Today more than 1,050 EWCs are active. The Commission has to report on their functioning before June 2016 in the context of a review of the 2009 Directive.

As recent joint activities of the ETUC and European Trade Unions5, analyses of the ETUI (De Spiegelaere/Jagodzinski 2015) and current surveys6 show, the existing legal framework is unsatisfactory due to enormous differences between Member States. Experience from EWCs, both good and bad, shows that biased or partial information and consultation procedures threaten workers’ ability to comprehend the whole dimension of change and to engage in meaningful consultation and anticipation of restructuring.

Experience of European Trade Union Federations and EWC coordinators underline that by far too often workers are informed late, often are not consulted and many times have only marginal influence on the outcome.

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4 Also the EU Commissions Work Programme 2016 does not even mention the whole issue of workers information and consultation. See ETUC assessment of the European Commission Work Programme 2016. Position adopted at the ETUC Executive Committee on the 16-17 December 2015, Brussels.

5 Namely the project “Anticipating change and restructuring in multinational companies through stronger transnational trade union coordination” that was carried out between the end of 2012 and June 2014 jointly by the ETUC and industriAll, UNI Europa, EFFAT and EFBWW. The project that involved a number of meetings and workshops throughout Europe aimed at enhancing transnational coordination among trade union and employee representatives at different levels within multinational companies exposed to or undergoing restructuring. The idea was to help those actors to conceive consistent common responses to restructuring events.

6 The ETUC in cooperation with the European Trade Union Federations in 2015 has carried out a survey amongst EWC coordinators that is going to be published in spring 2016.
What also becomes clear is that the situation in European transnational companies is complex and fragmented in regard to information and consultation, workers involvement and abilities to shape and influence restructuring operations. This not only calls for a strong coordination and also more integrated approaches that take into account the specific conditions at local level but also for a general improvement of the legislative framework.

Experience gathered by European Trade Union Federations confirmed also strongly that the already existing frameworks of anticipating and cushioning the effects of corporate restructuring too often don’t work in practice because of their voluntary nature, ‘build-in’ faults or other shortcomings. Too often existing rules are not obeyed or even actively undermined by employers’ and management.

Referring to the experience of more than 550 EWCs existing within the domain of industriAll, the organisation in a recent resolution stated that with view on providing a forum for employees and management to promote an approach of anticipating and managing change in a social responsible manner, EWCs

“(…) are not informed and consulted with sufficient warning about planned company decisions. They have neither the time nor the means to make counterproposals or to work on alternative solutions for the announced restructuring plans.” (industriAll 2015, p. 2)

This has been confirmed by experiences on transnational restructuring as collected by UNI Europa, EFFAT and EFBWW. With view on major trends that characterises corporate restructuring since the crisis ETUFs have highlighted in particular:

• the increase in short-termism in corporate strategies and adjustments, mainly financial and cost driven;
• the increase of layoffs without a just cause;
• an increasing trend of companies that are restructuring, closing down or moving to other countries in order to avoid ‘consultation burden’;
• an increasing share of bankruptcies motivated by the management to substitute workers in relatively secure contracts by cheaper ones and circumvent labour law requirements;
• the strong increase of highly flexible and too often precarious forms of employment (for example agency work) as an effect of internal restructuring;
• the permancy of restructuring that has intensified in recent years not only in traditional manufacturing sectors but also in services, the financial business sector or the IT sector, in particular in larger, multinational companies.

Thus, most restructuring operations are driven by cost cutting incentives and companies simply forget or at least do not tackle in a satisfying way with anticipatory management of change. Old fashioned corporate governance still dominated by the shareholder value approach prevails in many companies. Companies often do not sufficiently take into account the principles of a sustainable company and stakeholder orientation. Often workers and employees are left “on the road”, as “losers” of restructuring. This experience is widespread as well inside the company, amongst the so called “survivors”, as outside, the dismissed workers re-joining the mass of unemployed.

This stands in strong contrast to the idea of anticipating and managing change in a socially responsible way, relying both on early and adequate information and consultation, as well as participation of workers and their interest organisations.

It also strongly has proved wrong the approach of the EU Commission on restructuring and anticipation that merely is built on exchange of good practice experience, guidelines and orientations and purely voluntary action.

3.4 GUIDELINES OF BEST PRACTICES AND SOFT LAW DON’T WORK

After more than a decade of intensified research on restructuring, fueled by various Communications and a Green Paper of the Commission, joint activities by cross-sectoral and sectoral social partners, in January 2013, the European Parliament endorsed a report urging the European Commission to propose a general framework on the management of change and restructuring, the so-called Cercas report. The proposal must also be regarded as a learning result from the overall frustrating results of the various activities as outlined above.

In response to this report, at the end of 2013 the European Commission (EU Commission 2013b) came up with a “Quality framework for restructuring and anticipation of change” (QFR). This “quality framework” that is due to be reviewed in 2016 consists mainly of a collection of very general principles and recommendations on best practice examples to be implemented by all stakeholders, social partners and local authorities in particular. With the QFR, the European Commission again has adopted an approach of influencing and shaping anticipating and managing restructuring in a social responsible way that is purely voluntary based.
The ETUC strongly recommended scepticism about the practical effects of such a voluntary framework. Reacting to this Communication, the ETUC regretted that “we have had enough evaluations of best practices”\(^7\) and called for political action.

For the ETUC the QFR thus would only strengthen frustration and deception amongst those workers of Europe who experience restructurings not as an exception but as part of their daily life.

The ETUC together with the ETUFs stressed that such a voluntary approach and the establishment of a separate information-consultation-participation mechanism for restructuring will not work, in particular in the light of the current situation of financial, economic and social crisis and growing inequalities between EU countries as well as within transnational companies themselves.

Instead, a socially sustainable and responsible approach of anticipating, planning and managing change and restructuring would require a fundamental move away from the current short-term corporate governance system, which prioritises shareholders’ interests and where workers bear the costs (loss of employment, loss of income, skills, opportunities and often health...), towards a new approach based on stakeholder participation, a vision of a long-term, sustainable company, generating growth through high productivity and high quality. The prime objective of anticipative, proactive and well managed restructuring must be to ensure fair treatment and in particular that no one is left unemployed or excluded at the end of the process.

4. CORNERSTONES OF A FAIRER MODEL OF DEALING WITH RESTRUCTURING AND ANTICIPATION OF CHANGE

4.1 TOWARDS AN INTEGRATED FRAMEWORK OF WORKERS PARTICIPATION AND INDUSTRIAL DEMOCRACY

Against growing imbalances in Europe in regard to economic and social conditions, capacities to anticipate and manage corporate restructuring and structural change as well as in the light of growing inequalities in workers’ rights and capacities to influence change and restructuring in a sustainable and socially responsible manner, securing stronger information and consultation rights for all workers must be a top priority for the European trade union movement. Thus, the Directives on information and consultation need to be updated and strengthened, particularly for anticipatory management of change need to be outlined, as well as stronger information and consultation rights, with a view to reaching agreement via meaningful social dialogue before any final decision. The information-consultation procedures must involve the whole value chain: upstream suppliers, subcontractors, and dependent companies downstream. It is essential for workers’ representatives to have the right to expert advice, when necessary, paid for by employers. Furthermore, workers in the public sector should have equal rights to information and consultation.

However, this is not enough. The financial, economic and social crisis and their effects on social as well as working and living conditions have demonstrated that there is an urgent need to rebalance short-term economic interests with longer-term social goals. This calls urgently for stronger stakeholder rights and, in particular, to reinforce workers’ involvement.

The economic and social imbalances and the increasing inequalities in regard to applying workers’ information, consultation and participation rights, as well as the challenges that are emerging for example from the digitalization of our economies require a more fundamental reform. Here, the dominating short-termism in corporate governance that prioritises shareholder interests and where workers bear the costs should be corrected. Here, the strengthening of social dialogue, a stronger involvement and participation of workers and solid workers representation structures are essential in order to supporting a socially responsible management of change and restructuring. Furthermore, early and adequate information and consultation as well as participation of workers are also a key for a social responsible and balanced anticipation of change.

An efficient and socially balanced anticipation of change and management of restructuring requires much more than information and exchange of views. It also goes beyond the still prevailing concept that workers representatives and trade unions are mainly responsible for the management or ‘after care’ of the social consequences of restructuring. It requires a more fundamental approach of corporate governance and industrial democracy that consists not only of early and appropriate information and consultation practices but is embedded in a culture of workers involvement in the day-to-day life of the company based on a cooperative approach and mutual trust.

Such a broader understanding of workers involvement and participation requires a stronger and renewed architecture of democracy at work that combines strong standards of information and consultation with the introduction of further innovative approaches as additional standards of workers’ influence. In this respect, an important landmark has been the adoption of the resolution ‘Towards a new framework for more democracy at work’ by the ETUC Executive Committee in October 2014 that defined key elements of such a holistic approach to workers’ involvement (ETUC 2014).

4.2 CORNERSTONES TO IMPROVE THE EXISTING FRAMEWORK

Restructuring has become a permanent feature of company life. This is not new and it should be clear that trade unions are not against restructuring as such. Though from
the workers point of view restructuring in most cases is perceived as a threat in terms of job security and employment conditions, also workers are convinced that change and adaption is necessary in order to adjust to new market conditions, technological progress and other requirements.

However, since 2008 and as described roughly in this paper we are experiencing not only an acceleration of restructuring but also a growth in restructuring incidents that are purely driven by short-term cost and profit orientated decisions, imposed by austerity measures or other drivers that are not linked to what is traditionally understood as ‘structural change’. Furthermore we have seen a growth in asymmetries within Europe in regard to workers’ rights of information and consultation and growing inequalities in the capacity to influence restructuring processes at company level and beyond. As consequence, the social costs of restructuring have risen with increasing gaps and divides within Europe. While workers in some parts of Europe (that generally have quite a well-established system of industrial relations with strong and influential organisations) workers are quite well off, workers in other countries pay an excessive high price in terms of unemployment, lack of career opportunities for young people, worsening of social conditions and unfair treatment.

Against this, it becomes clear that the existing legislative and voluntary frameworks for anticipation and restructuring have been insufficient and not fit for purpose. There is a strong political need for change.

The ETUC has identified the following elements as crucial in order to improve the existing framework for anticipation and managing change and return to a path that combines and better balances economic and social policy goals at company level as well as beyond:

- First and foremost a paradigm shift is necessary to substitute the unbalanced and short-termed shareholder value approach of economic and corporate governance by a new approach based on stakeholder participation and a vision of a long-term oriented sustainable company. This not only would reflect the normative orientation of economic democracy but also the European policy goal of preserving employment (the “new ‘rescue-oriented’ European approach”) and “job-rich” recovery.
- With view on the quality of employment, a particular challenge will be to reverse the accelerated trend that full-time jobs are subject to net job destruction while part-time jobs display net job creation. The current trend towards greater economic and social divergence across the EU and especially within the Euro area cannot form a sustainable basis for the future of European integration.
- As highlighted in the ETUC assessment on the EU Commissions’ “Digital Agenda” published in June 2015, there is also a strong need to anticipate challenges that are linked to the digitalization of our economies and societies. Digitalization already now but much stronger in the coming years will shape corporate restructuring in all types of companies. Here, the ETUC as well as the ETUFs are concerned that so far there is no attempt to analyse the social impact of digitalization on companies in general and on labour, terms of employment, working conditions, work-life-balance or social rights as information, data protection, consultation and board-level participation, collective bargaining, social dialogue etc. As a megatrend of the world of work, digitalisation will also shape our future society in terms of social cohesion, income distribution and social equality. These issues from the point of the ETUC are important elements to be tackled in the context of an innovative digital labour policy.
- With view on managing restructuring in a socially just, responsible and sustainable way, early information and consultation as well as participation is a key. Forward looking, anticipatory management of change comprises anticipative and proactive training of the workforce and ensuring fair job-to-job transitions respecting that security and fairness in employment transition is crucial. Trade union practice must be improved as well, in particular the interaction between the different levels of trade union intervention (local, national, European) and between different levels of trade union representation (works councils, EWCs, workers’ board-level representation, trade unions, ETUFs).
- The ETUC is concerned that there is still no equal treatment in the context of restructuring operations as well as with view on managing change in Europe. In some countries and regions, many examples of well-functioning procedures and mechanism can be found, in other countries and regions much more cases of not well-functioning information, consultation and participation procedures or mechanism or even trade union representation. It will not be possible to close these gaps and reduce these inequalities by guidelines of good practices or purely voluntary recommendations. There is a strong need for better monitoring and implementation of existing obligations and sanction in case of misbehavior.
- At company level, the development of a plausible and coherent alternative concept combining an industrial plan with socially acceptable, negotiated and fair measures is important. The ETUC wants to ensure that businesses base restructuring decisions on a clear assessment of the advantages and disadvantages, as well as real consultation with staff representation and trade unions. A right to expertise should be granted to employees’ representatives.
• Also in response to recent trends of corporate restructuring, the ETUC calls for improving anticipation of change and ensuring adequate information and consultation rights throughout the subcontracting chain. Provisions must be added to inter-enterprises social dialogue structures, where workers from all the subcontracted companies are represented in order to deal with common problems. In order to make these demands realistic, transparency must apply throughout the whole chain. Main contractors must be required to keep available names and addresses of subcontractors. It should also be possible to put a limit to the number of subcontractors to keep it reasonable. Finally, it is essential that all subcontractors throughout the chain and main contractors are held jointly and severally liable for the respect of workers' rights. Workers' representatives must have the right to be informed about the use of posted workers in subcontracting chains and to contact these workers in order to provide them with the appropriate information and advice. When temporary agency or self-employed workers are used in the second line of subcontracting, workers' representatives of the main company have to be informed as well.

• The ETUC is keen to ensure that jobs lost are replaced by new jobs and that staff are given the opportunity to enhance and upgrade their skills and thus their employability and ability to move into high value-added work. It is important to ensure that there are alternative jobs for those who lose out with re-training provided in advance of the expected job losses. Workers should be supported in their search for alternative employment, through such means as education and skills upgrading and should be treated fairly. A common European perspective on restructuring processes could help prevent the occurrence of high societal and social costs. Security and fairness in bridging the transitions from employment to employment is crucial; access to lifelong learning, education and training is essential to maintain employability. Proactive anticipation of change can only work if information, consultation and participation procedures are in place and function and a negotiated management of restructuring and structural change takes place.

• The interlinkage and articulation between EWCs, trade unions and workers board level representatives should be strengthened. Workers representatives in company supervisory or administrative boards often have access to early and more complete information. A much more regular exchange of information and regular systematic reporting back is needed. Whenever a company prepares a restructuring the discussion will take place in the company board and when workers board level representatives sit in this board, these reps will have early access through this channel and will be able to inform timely the workers reps in the works councils, EWCs and trade union. These aspects as well as further needs for improvements regarding the establishment, everyday practice and functioning of EWCs (including confidentiality, sanctions, role of trade unions, right to training and external expertise, number of meetings, termination of old agreements) should be taken into account in the context of the assessment of the functioning of the EWC Recast Directive in 2016.

• Related to the general framework on information and consultation the ETUC has taken a clear position and formulated a series of concrete demands in view of strengthening the provisions and filling the gaps. The ETUC is in favour of strengthening workers' board-level representation to receive complete information on strategic choices before the decisions are taken, and to increase the control and influence workers have on the strategic decision-making process within a company or public service.

Finally, the EU Commission has announced to monitor the application of the Quality Framework on the anticipation of change and managing restructuring and will consider the need to revise it by 2016. Through this revision the Commission would like to find out whether further action, including a legislative proposal is necessary.

However, the ETUC urges the Commission not to wait another two years before taking the necessary action.
5. LITERATURE

- ETUC 2013: Strengthening information, consultation and participation rights for all workers. Resolution adopted at the Executive Committee Meeting of 22-23 October 2013, Brussels.
- ETUC 2014: Towards a new framework for more democracy at work. ETUC resolution adopted at the Executive Committee meeting of 21-22 October 2014, Brussels.
- Eurofound 2013: Restructuring in SMEs in Europe, Luxembourg.
- Eurofound 2014: Impact of the crisis on industrial relations and working conditions in Europe, Dublin.
- industriAll 2015: Strengthening our capacity to anticipate and deal with change in national and multinational companies in the EU. Document adopted by the 7th Meeting of the industriAll Europe Executive Committee, Brussels, 2nd December 2015.
The ETUC is the voice of workers and represents 45 million members from 89 trade union organisations in 39 European countries, plus 10 European Trade Union Federations.