



European Economic and Social Committee

CCMI/102
Restructuring and
anticipation of change

Brussels, 11 July 2012

OPINION

of the

European Economic and Social Committee

on

Restructuring and anticipation of change: what lessons from recent experience?

(Green Paper)

COM(2012) 7 final

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On 17 January 2012, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union (TFEU), on the green paper on

Restructuring and anticipation of change: what lessons from recent experience?
COM(2012) 7 final.

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 June 2012.

At its 482nd plenary session, held on 11 and 12 July 2012 (meeting of 11 July), the European Economic and Social Committee adopted the following opinion by 134 votes in favour with 7 abstentions.

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1. Conclusions and recommendations

- 1.1 The European Economic and Social Committee would first point out that companies constitute, by definition, the key players in strategies for adapting the units operating on markets, and are therefore at the heart of any restructuring process.
- 1.2 The Committee stresses the importance of the role the CCMI has played and continues to play in the area of industrial restructuring, as a prime forum for constructive dialogue and the development of ideas and recommendations for the Commission, the Council and the European Parliament.
- 1.3 The Committee reaffirms that restructuring generally entails complex processes. Anticipating change means preparing companies and employees for new challenges ahead, while minimising the social impact of the changes, maximising the chances of success, creating a climate of mutual trust and being sure to involve the social partners and organised civil society.
- 1.4 The EU's workers and companies are currently faced with:
 - rapid changes in domestic and international reference markets;
 - the emergence of new global partners;
 - the introduction of new technologies that are accelerating obsolescence processes;

- consumers that are increasingly conscious of their role in shifting consumption and investment onto a greener, more sustainable footing;
- demographic trends that are accentuating the phenomenon of the ageing workforce;
- major changes in labour markets, accompanied by massive social dumping; and currently
- the continuing fallout from the economic and financial crisis and Europe's clear weakness on global markets.

- 1.5 The Committee thus welcomes this green paper, which has come at an opportune moment. However, it hopes that following this discussion process practical and effective action will be taken, involving an integrated approach at all levels of production, consumption and services. This will require interaction and information exchange across all levels of the production and distribution chain, coupled with the exchange of best practice in the field and a timeframe of specific deadlines for implementing the guidelines, standards and reference frameworks built on the wealth of EU rules and common, shared values.
- 1.6 The Committee considers it of fundamental importance, when it comes to anticipation and restructuring, to enhance the role of the social partners, organised civil society and consumers at EU, national, regional, local and company levels, with the involvement of local leaders and knowledge and skills networks.
- 1.7 In the Committee's view, social dialogue, negotiation and participation are not only fundamental values of the European social model, but are also tools that promote and give real support to social cohesion, quality employment, job creation and the drive to boost innovation and competitiveness across Europe's economies.
- 1.8 The Committee thinks that the EU's structural and cohesion policies as well as its innovation and research policies should be geared to proactive support in shaping the mechanisms for anticipating and accompanying restructuring into win-win systems for both workers and companies.
- 1.9 The Committee considers it essential that economic and social partners play a greater role in the Structural Fund monitoring bodies so as to ensure the success of European structural policy.
- 1.10 The Committee recommends that structural policy measures be closely interlinked and coordinated with those in support of research and innovation, and use investment and industrial policies to support the transition to a low-carbon European economy.
- 1.11 The Committee believes that EU education, training and lifelong learning programmes should be seen as key tools enabling public authorities and companies to proactively anticipate change, alongside the ongoing efforts of economic players – especially SMEs – and workers.

- 1.12 The Committee advocates closer coordination at EU level between Commission policies and services, agencies and the numerous observatories, so that companies that are restructuring receive clear, consistent support in their decision-making. In particular, suitable support and mentoring systems should be available to SMEs and micro businesses, which face obvious difficulties in planning ahead for restructuring.
- 1.13 The Committee reaffirms the need for State aid supporting employment in businesses affected by globalisation to be based on conditions that guarantee free and fair competition.
- 1.14 Finally, the Committee recommends bolstering EU policy supporting the development of participatory foresight exercises, both territorial and sectoral, with the aim of realising a shared, mutually acceptable vision, partly by making more of local factors, so as to generate more and better jobs within healthy and competitive businesses.
- 1.15 Taking account of demographic trends in Europe, the Committee attaches particular importance to an active policy on ageing and the "silver economy" and the need to adapt products and services to these new opportunities.

2. **Introduction**

- 2.1 It will be some time yet before Europe's economy sees a recovery, before it emerges from the deepest recession in decades to hit Europe. The crisis is putting public finances and governments under severe pressure and is prompting company crises, rationalisation, restructuring and closures in the real economy with dramatic repercussions on unemployment rates.
- 2.2 This restructuring entails complex, multi-faceted processes, and changes to business strategies with regard to company organisation, form, size and activities.
 - 2.2.1 Multiple economic and operational objectives should be identified relating to the situation on the global markets and in the sectors in which businesses operate, primarily at sectoral level.
- 2.3 In practice, this process should involve anticipating employment possibilities in emerging sectors with a particular focus on SMEs, which have been hardest hit by the current crisis, while also taking due account of consumer interests and behaviour.
- 2.4 Anticipating change means not only preparing companies and employees for the challenge of future developments, but also carrying out the necessary restructuring to tackle those challenges, while minimising the social impact of the changes, ensuring stability and reducing the cost. Environmental protection and sustainable development should also be factored in: the European technology platforms and the studies they conduct, can outline tangible prospects for both workers and companies.

- 2.5 Over the past two decades, we have witnessed an acceleration of the phenomena of market repositioning, relocation, reorganisation and/or closure of production units, as well as mergers, acquisitions, and/or outsourcing of activities. However, over the last four years, Europe has been faced with an increasingly pressing need to strengthen the anticipatory nature of these processes, given the pace of change and the urgent need for restructuring that has arisen from the deepening economic, financial and market crises. Phenomena such as booming Internet sales figures and cross-border sales are also **having an influence** on the markets in the different countries.
- 2.6 The economic and financial crisis has not only intensified restructuring processes at the various levels, but has also led to austerity measures and cuts in public expenditure, and consequently heavy job losses in the public sector, while also undermining the various safety nets for workers, local communities and companies in many countries.
- 2.7 The Commission's objective in terms of restructuring is to help strengthen and disseminate the culture of anticipation and innovation in terms of the way restructuring is carried out: the EU shares responsibility with the Member States "for achieving the objectives defined in Article 3 of the Treaty on European Union" (Article 145 TFEU).
- 2.8 Back in 2005, in its communication on restructuring and employment, the Commission recognised the problems connected with the social costs of restructuring, not only for workers themselves, who experience growing uncertainty regarding their working conditions, but also for the various sectors of the economy.
- 2.9 Though restructuring is primarily governed by rules at national and regional levels, the EU has significant responsibility in terms of managing, supervising and accelerating these processes. It is required to supervise the proper functioning of the EU regulatory framework as regards both information and consultation, and the protection of workers¹ and to play an active role here, a role that derives essentially from the Europe 2020 strategy and the obligations laid down in the Treaty.
- 2.10 If the EU wants to be successful in addressing the challenges posed by the financial and economic crisis, globalisation, climate change, demographic trends and growing inequalities arising from the social costs of austerity programmes, it needs to develop and step up proactive strategies for anticipating and managing restructuring, underpinned by a common set of values and practices consistent with the major socio-economic Treaty objectives.
- 2.11 Under the Europe 2020 integrated guidelines (adopted by the Council on 22/4/2010), the EU and the Member States should thus implement reforms aimed at "smart growth", driven by

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European Works Council Directive 2009/38/EC, OJ 2009, L 122; Directive 2002/14/EC, OJ 2002, L 80; Directive 2001/23/EC, OJ 2001, L 82; Directive 98/59/EC, OJ 1998, L 225; Council Regulation (EC) No 1346/2000, OJ 2000, L 160.

knowledge and innovation, with due regard to consumer needs and behaviour, and with a view to:

- promoting coordinated structural reforms that effectively contribute to growth and jobs and enhance the EU's competitiveness in the global economy;
- ensuring the effective functioning of labour markets by investing in successful transitions, appropriate skills development, improving job quality and combating structural unemployment, long-term unemployment and inactivity;
- improving the business environment and stimulating the creation of new businesses and jobs, especially in the green and silver economies;
- improving the quality of education, ensuring access for all and fostering closer links between training, academia and the labour market;
- promoting proactive best-practice models, that can anticipate corporate restructuring, necessary in a labour market in transition;
- improving the regulatory framework in order to promote innovation and knowledge transfer throughout the EU;
- encouraging entrepreneurship and helping to turn creative ideas into products, services and processes that can create quality jobs;
- fostering territorial, economic and social cohesion; and
- addressing European and global societal challenges more efficiently.

2.12 With regard to support for corporate and sectoral restructuring, it is vital that companies have early-warning systems(see European Restructuring Monitor ERM) in place as a pre-condition for effective planning of restructuring processes, agreed upon by all stakeholders. This is partly to ensure proper retraining for workers, but also to ensure that sectoral and inter-sectoral networks are developed, that can manage change in an integrated way, with the help of professional guidelines that ensure high levels of employability.

2.13 On 18 April 2012, in Strasbourg, the Commission presented its new employment package – on which the Committee is to issue an opinion – which calls on Member States to bolster their domestic employment policies, and paves the way for reinforced coordination and monitoring of employment policies.

3. **Commission green paper**

3.1 The Commission has launched a public consultation on company restructuring and anticipating change, its aim being to "identify successful practices and policies in the field".

3.2 The green paper sets out a series of questions on the lessons that can be learned from the crisis, on possible economic and industrial adaptation, on the capacity of companies and workers to adapt, on the role of local and regional administrations, on the role of vocational training in human resource management and on dialogue between socio-economic players.

4. **General comments**

- 4.1 In the Committee's view, the green paper should be seen as following on from the 2005 communication on restructuring and employment, which set out to define the EU's role in anticipating and managing restructuring processes, in order to boost employment.
- 4.2 The Committee feels that the 2005 communication brought about positive developments at EU level in terms of promoting a European approach to anticipating and restructuring, including a number of high-level thematic conferences and expert-led seminars (restructuring fora), ESF initiatives, various comparative studies, toolboxes and guidelines, an obvious example being the Staff Working Document "Restructuring in Europe 2011".
- 4.3 The Committee notes with concern that the green paper does not set out proposals for action with specific, tight deadlines, in response to the seriousness of the ongoing crisis, but rather takes the approach of a series of open questions, without specifying by when or how the measures would be implemented. Conversely, more robust measures have emerged from other instruments such as the employment package launched in May 2012, on which the Committee is to issue an opinion.
- 4.4 While companies constitute, by definition, the key players in strategies for adapting and positioning the units operating on markets and thus in the restructuring processes arising from these operational strategies, the following factors must also be taken into account:
- the backdrop of globalised economies, with the arrival of new countries with increasingly promising and competitive sectors on the European and global markets;
 - the specific features of individual countries within and outside the EU's borders;
 - the multifaceted framework of EU reference policies, which directly influences the functioning and choices of companies, in terms of both the rules applicable and strategic and operational opportunities;
 - the national/regional framework, which manages the technical and operational context in which companies and employees operate;
 - the territorial framework in which restructuring operations and processes for anticipating them take place, through coordination between outside stakeholders and companies, and in which guidance and support mechanisms are put into practice, especially for SMEs; and
 - the framework of social dialogue and collective bargaining and the development of the role of the social partners and bodies representing companies, which are playing a more crucial role than ever in adapting production, work organisation and working conditions to fast-changing circumstances during the crisis, relying on good social partnerships.

4.5 At EU level, the Committee reiterates that in order to carry a development strategy through², the social partners of organised civil society as a whole should work towards developing Territorial Social Responsibility (TSR) with a view to implementing a coordinated set of strategies, including:

- a resilience and survival strategy making it possible to operate in mature markets through better specialisation in the same market, with cost cutting, or strong diversification into contiguous sectors;
- product and service process innovation strategies including market and technology change, with new materials leading to new products;
- new initiatives by means of foresight evaluations, on new expanding products and services (such as lead markets), towards which new investment should be channelled;
- local marketing that emphasises excellence through agreements with research centres in order to increase technological cross-pollination;
- financial support through development funds, including through loan guarantees under the European Investment Fund, but also the Structural Funds;
- as regards credit, in terms of payment deferrals for micro and small businesses, primarily in order to safeguard employment levels;
- short-term debt consolidation to enable micro and small businesses to focus on production, marketing and after-sales services;
- support for an innovative services sector (green economy), and personal services (silver economy), by taking advantage of innovative training opportunities under the European Social Fund;
- development of high-standard personal services in part by strengthening the social and health care system³;
- infrastructure policies, contributing to more innovative choices for a low-carbon economy;
- stepping up energy efficiency and environmental criteria especially in public procurement procedures;
- enhanced access to information; and
- equipping regions with smart specialisation strategies, involving organised civil society and all socio-economic players.

4.6 The Committee thinks that the EU's structural and cohesion policies as well as its innovation and research policies should be geared to proactive support in shaping mechanisms for anticipating and accompanying restructuring into win-win systems for both workers and companies. The Structural Funds, and in particular the European Social Fund, the European Regional Development Fund and the European Globalisation Adjustment Fund, could play a

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EESC opinion on *The impact of the global crisis on the main European manufacturing and services sectors*, [OJ 2009, C 318](#).

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See the e-Health lead market (COM(2007) 860).

significant role in enhancing the employability of workers and minimising the social impact of redundancies.

- 4.7 The Committee considers it essential that the economic and social partners and organised civil society players play a greater role in the Structural Fund partnership and monitoring bodies, and emphasises that the success of European structural policy hinges on the specific skills of the relevant players based in a given area.
- 4.8 In particular, the Committee attaches importance to the integration of restructuring policies and industrial policies geared towards the transition to a low-carbon European economy, with due regard for climate and environmental requirements, and with a view to developing and adequately funding new green jobs and skills, as the Committee has emphasised in previous opinions⁴.
- 4.8.1 With regard, inter alia, to the designation of 2012 as the European Year for Active Ageing, the Committee stresses the importance of developing skills in the services delivered by NGOs, the social economy and companies, in order to foster healthy, active and dignified ageing, and develop products and services that meet the needs of these consumers⁵.
- 4.9 The Committee also believes that EU education, training and lifelong learning programmes should be seen as key tools for proactively anticipating change, alongside the ongoing efforts of companies and workers: As mentioned by *BusinessEurope* "72 % of companies in the EU check the need for training of their staff in a systematic way. 32 % of workers in the EU participated in training financed by their employers in 2010".
- 4.10 As a social response to the crisis, the national stimulus packages, and the proposals so far adopted have been inadequate. Insufficient consideration has been given to the vital need for job creation and the necessary measures to boost demand (such as better coordinated fiscal stimulus packages and wage policies).
- 4.10.1 State aid and Structural funding to support employment in businesses affected by globalisation and the credit crisis should be based on assurances that such aid does not have the effect of hampering free competition. Efforts should be made, above all, to sustain employment levels and collective agreements should be respected. For instance, Developments in the Netherlands, where "Self-employed without staff" models work extremely well, must be considered. Through this system, the unemployed get a chance to make their expertise available and create their own jobs.

⁴ EESC Opinion on *Promoting sustainable green jobs for the EU energy and climate change package*, [OJ 2011, C 44](#).

⁵ EESC Opinion on the 'Proposal for a decision of the European Parliament and of the Council on the European Year for Active Ageing (2012)', [OJ 2011, C 51](#).

- 4.11 The Committee stresses the need for closer coordination at EU level between policies and Commission services, so that clear consistent support is given to the choices of companies that are restructuring:
1. European policies on employment and training, research and innovation, enterprise and industry, energy and the environment, the green economy and ICT, as well as trade and foreign policy should all present a clear, shared vision to the management of European companies and to workers, to support them in the choices they make regarding adjustments to strategies and skills.
 2. EU agencies, such as Cedefop in Thessaloniki and Eurofound in Dublin, observatories, such as the European Observatory for SMEs and the European Monitoring Centre on Change (EMCC), Joint Research Centre institutes, such as the IPTS in Seville and foresight activities under the Science in Society heading of the FP7 RTD, should all seek convergence in their activities and find common ground with a view to providing clear and accessible frameworks for change, for both companies and workers.
- 4.12 The Committee considers it of fundamental importance to enhance the role of the social partners and organised civil society at all levels: social dialogue, negotiation and participation are not only fundamental values of the European social model – which have always been endorsed by Committee – but are also tools that support and promote successful social cohesion, quality employment, the creation of jobs and the drive to boost innovation and competitiveness across Europe's economies.
- 4.13 In this context, the Committee stresses the role the CCMI plays as a prime forum for constructive dialogue and the development of ideas and recommendations, thanks to the experience it has succeeded in building up since the ECSC Treaty.
- 4.14 As has been shown by many studies and best practice analyses, at both EU and national levels, relationships of trust among the social partners and effective social dialogue are fundamental prerequisites for anticipating and managing change in the best possible way.
- 4.15 In particular, the Committee believes that dialogue, consultation and negotiation should be the cornerstones of reform and flexicurity pathways. On the one hand, framework conditions need to be established to enable companies – with due regard for different national circumstances – to adapt with speed and flexibility to innovation, markets and user/consumer requirement; on the other hand, the adaptability and professional development of workers must be supported and facilitated.
- 4.16 Moreover, as the Committee has previously pointed out, "flexicurity can only work if employees are properly trained. There is a strong link between new skills and the creation of new jobs." "The EESC considers that measures enhancing the security side (in the broadest sense) of flexicurity must currently be the top priority." The aim should be stable employment.

- 4.17 The Committee also deems it important for public authorities, education and training bodies and companies to combine forces to enhance the range of jobs and training available, by developing new, versatile professional profiles and skills and supporting lifelong learning.
- 4.18 In this context, the Committee emphasises the fundamental importance of mechanisms to secure access to education and lifelong training, designed to meet needs in terms of new job profiles and qualifications, especially for young people, in line with the vision outlined in the Agenda for New Skills and Jobs, which is the subject of another EESC opinion⁶.
- 4.19 The Committee would underline the importance of closer cooperation between stakeholders at local level, given that, especially at that level "a positive attitude to change and the existence of high-quality social dialogue in a climate of confidence are important factors for preventing or limiting the harmful social consequences".
- 4.20 The Committee believes that SMEs merit particular attention; appropriate measures should be made available to them by public and private bodies such as employers' organisations and trade associations, chambers of commerce, industry and crafts and other bodies, especially at local and regional levels, with preferential access to credit and to training, as well as suitable measures for cutting red tape.
- 4.21 Further consultations and policymaking on anticipation and restructuring should be based on the findings from over seven years of analysis, studies and reports carried out at EU level.
- 4.22 While **in the past**, the focus was clearly on analysis and the exchange of information, best practice⁷ and innovative experience, **in future**, the EU should concentrate mainly on practical measures, i.e. on development and growth, and foster the implementation of common guidelines, standards and reference frameworks built on the wealth of EU rules and common values.

⁶ EESC Opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - An Agenda for new skills and jobs: A European contribution towards full employment, OJ 2011, C 318.

⁷ Best practice: the restructuring toolbox <http://www.evta.net/restructuringtoolbox/toolbox/index.html>. The project *Going local to respond employment challenges* http://www.evta.net/going_local/catalogue/index.html: aims: carrying out regional actions, actions to ensure policies and services that **anticipate company crises**; setting up a community of actors and practices aimed at establishing **permanent comparative assessment** in the training institutions coming under this project.

- 4.23 Last but not least, the Committee stresses the **importance of the human dimension**: the people – and families – who are the victims of sectoral and corporate restructuring, are often put through human dramas that are not always given due consideration. Psychological and social support measures should be provided for, beyond the necessary recovery in investment and return to growth and sustainable job creation.

Brussels, 11 July 2012

The President
of the
European Economic and Social Committee

Staffan Nilsson
