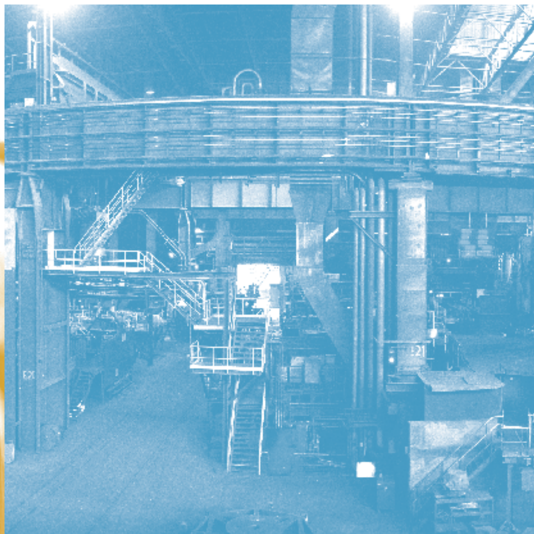



ETUC OVERVIEW OF RESTRUCTURING IN EUROPE





Consolidating worker involvement in restructuring operations

EUROPEAN TRADE UNION CONFEDERATION (ETUC)

Report prepared by:
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INTRODUCTION AND KEY FEATURES

PREFACE

Restructuring has become an increasingly used term in European countries and EU Member States addressing measures and company-based practice in the context of globalisation and other economic developments within the fabric of European societies. Issues such as the opening-up of economies to international competition, liberalisation of trade, technological innovation, major shifts in consumer demands, greater sensitivity to environmental concerns, and demographic changes are just some of the important driving forces which provide an impetus for restructuring measures. Restructuring in this context can be viewed both as a way of dealing with the pressure of change and as a consequence of that change. In many European countries restructuring is also closely linked to relocation and offshoring, concepts which are increasingly being used to wring concessions from workers and their representatives in the field of working times, wage agreements and social rights. The problem of «concession bargaining» in the context of threats by employers to relocate work and functions has emerged not only in the old EU Member States but is increasingly an issue in the new Member States as well. The European Commission has shown its interest in and recognised the impact and value of restructuring through a range of recent activities following its Communication entitled "Restructuring and Employment" published in March 2005.

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

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

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

In order to consolidate an approach based on well managed restructuring and to strengthen workers' involvement in and consideration of employees' interests during restructuring operations, the ETUC has been actively involved in European debates and initiatives on restructuring. The issue of restructuring is also a main topic of the 2006–2008 Joint Work Programme of the European Social Partners and a series of national surveys will be carried out and conferences held between now and the end of 2008, as a follow up to the orientation for reference in managing change and its social consequences discussed in 2003.

To learn more about restructuring operations and trends within different national, sectoral and regional frameworks and to organise an exchange of worker and trade union experience, during 2006 and 2007 the ETUC has been implementing a project which forms the basis of this publication. Based on three workshops with ETUC member organisations in 25 EU Member States[1], a stock-take of restructuring trends and trade union experience in nine EU countries this publication summarises the main findings. Findings of the project were also presented and discussed at an ETUC conference which took place in Lisbon in September 2007.

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

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

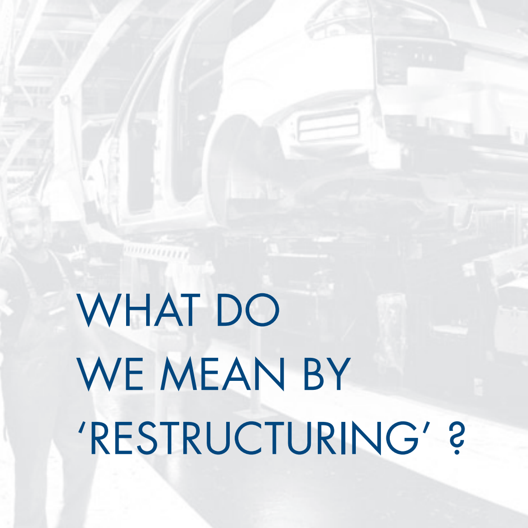
First, this publication which is documenting main findings of a stock-take of patterns of restructuring in Europe today and national frameworks as well as concrete experiences of worker involvement in restructuring in nine European countries. The main objective of this publication is to throw a light on both the overall context and the significant variety of frameworks of employee involvement in restructuring which might be helpful to better understand the overall issue form a workers' point of view. Secondly, a more concise publication which is summarizing key findings of the project and basic ideas on consolidating worker involvement in restructuring[2].

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

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

Maria Helena André
ETUC Deputy General Secretary

Eckhard Voss
Expert



WHAT DO WE MEAN BY 'RESTRUCTURING' ?

According to the definition of the EU Commission:

"Restructuring is the form taken at enterprise level by the permanent reshaping of the fabric of production under the effect of numerous factors." (Restructuring and Employment, Communication from the Commission of 31 March 2005)

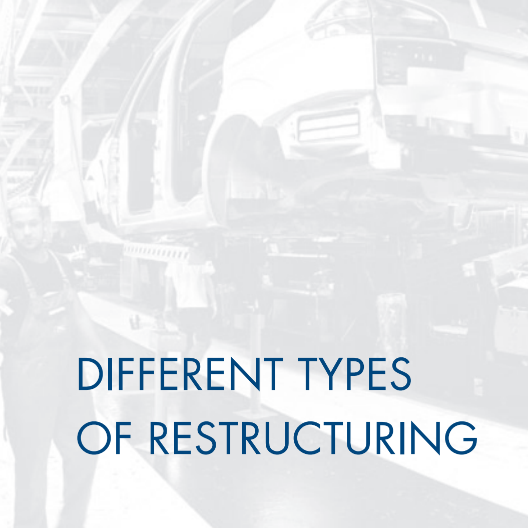
However, we should add the following to this very abstract definition:

> Restructuring always directly affects labour issues and the interests of employees and their families as well as local communities: whether or not restructuring results in dismissals, unemployment, distress, regional crises or leads to improved living and working conditions, better jobs and enhanced individual career prospects for employees is not predetermined. It very much depends on the way restructuring operations are carried out and the specific frameworks within which it is implemented at the level of companies, regions, national and sectoral environments and beyond.

Despite so much talk about restructuring our empirical knowledge of it is limited. According to the European Commission, every year, 10% of all European companies are set up or closed down. It is estimated that on average, between 5,000 and 15,000 jobs are created and lost every day in each of the Member States. However, what we don't know is: what proportion of these figures might be regarded as being the result of various forms of restructuring? Which types of jobs in terms of quality, payment and working conditions are lost and which types are created? What are both the quantitative and qualitative effects of restructuring on regions and regional development prospects? What effects does restructuring have on industrial relations and representation of interests?

As workers in any company are aware, change and restructuring is a permanent feature of their work experience. Technological improvement, internal reorganisation of work, production, processes and management is a regular occurrence, albeit at varying paces and having different effects (improvement/worsening of working conditions, greater workload, new qualification requirements, better/worsened occupational prospects etc.).

PATTERNS OF RESTRUCTURING IN EUROPE TODAY



DIFFERENT TYPES OF RESTRUCTURING

Restructuring is an established economic, social and political process. It occurs at different rates, at different times and in different places, taking some forward on the wave and leaving others behind in the wake. Globalisation, fast-moving technological change, domination of liberal ideologies and the driving role played by financial markets have all contributed to making today's economy one which accelerates change. Corporate restructuring is a permanent feature of this change and can take different forms:

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

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

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

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

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

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

Variations in restructuring operations

Internal restructuring of company organisation and internal processes

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

Various internal change projects

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

Outsourcing, Offshoring and Relocation

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

Mergers and Takeovers

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

Privatisation and public-sector restructuring

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

Driving forces

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

Effects

Depending on specific form, restructuring operations may result in:

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

BACKGROUND TO AND DRIVING FORCE BEHIND RESTRUCTURING

In terms of restructuring at company level, although there may be sector- and/or company-specific driving forces behind and reasons for restructuring (technology, changing markets and regulatory frameworks, new consumer demands etc.), companies always restructure to improve their performance and profitability. In this context, stronger emphasis on performance and ongoing pressure to improve profitability are also general trends in Europe resulting from the increasing influence of management concepts based on shareholder value and the growing role of private equity capital in corporate finance.

However, restructuring operations in private and public companies not only have an impact on economic and financial performance but also on the quantity and quality of employment, as well as on the environment. Corporate restructuring affects not only workers but also families and economies and social structures at regional, sectoral and even national level.

All too frequently the impact of restructuring is negative. Whatever the short-term gains in profitability, they are often achieved through job losses, wage reductions, worsening of labour conditions and enormous social costs. All too often restructuring measures are last-minute reactions to changes that could have been foreseen and are due to either new management concepts (e.g. decentralisation, recentralisation) or simply past management failures.

In addition to ‘traditional’ forms of restructuring (i.e. closures and downsizing as a result of economic crises, privatisation of formerly state-owned services and industries), restructuring today is closely linked to globalisation and the accelerated reorganisation of production chains on a cross-border basis. In this context, certain forms of restructuring have become more broadly used and widespread, e.g. delocalisation and offshoring of industrial production and service provision, restructuring in the context of mergers and acquisitions or global (out-)sourcing.

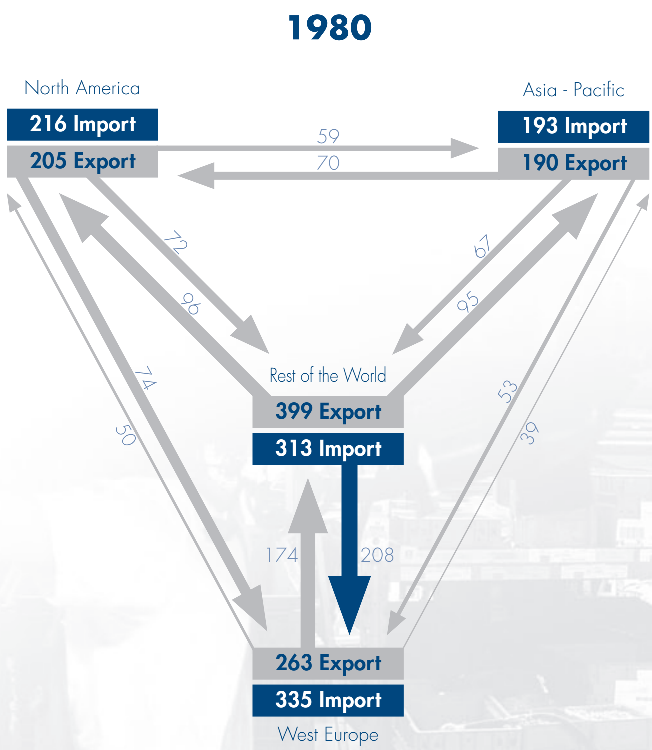
While globalisation should be regarded as a major driving force behind restructuring in the private sector today, the public sector - in both the old and the new Europe - is also increasingly becoming the target of restructuring operations and programmes: here, major restructuring programmes are implemented in the context of the privatisation of formerly state-managed sectors (energy, transport, telecommunication and postal services) and as a result of the reorganisation of the Welfare State, in particular in the old EU member states, and the introduction of market principles, competition and the downsizing of public employment.

New dimensions of globalisation

Globalisation has a longstanding pedigree, but recent increases in international economic integration are unprecedented in several ways. At least three developments in world trading patterns are bringing about a new dimension in globalisation.

First, the increased weight of global exports, i.e. a significant shift between trade volumes and production outputs: between 1980 and 2004, global exports increased from approximately $2 billion to approximately $7.2 billion and the share of exports and imports within global GDP increased from 28% in 1970 to 44.5% in 2004.

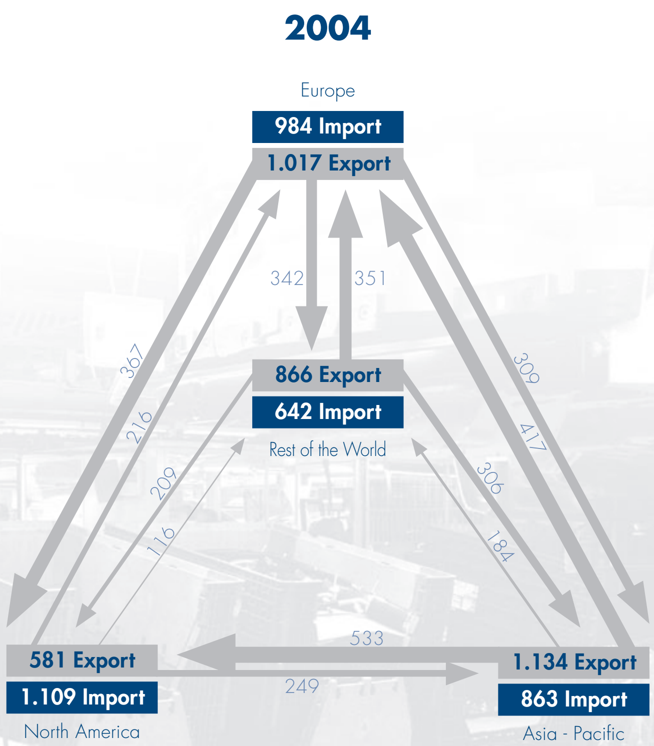
Development in global trade 1980 to 2004 (exports and imports in USD billion by region)



Two further - and more recent - developments frequently mentioned today are the rising importance of large emerging economies, especially China which is now the world's largest exporter, and the increased prominence of international production networks and global value chains.

The rapid integration of large, low-wage countries such as Brazil, China, India and Russia (the BRICs) into the world economy have contributed to widespread anxiety about the future competitiveness of traditional industrial countries. These four countries now represent 45% of world labour supply, compared with less than 20% of the 30 OECD countries. The BRICs are also increasingly open to trade and investment. Over the past 15 years, total trade as a proportion of GDP grew by over 50% in Russia, nearly doubled in China and more than doubled in Brazil and India.

Another novel feature of the ongoing wave of globalisation is that it goes hand-in-hand with the rapid adoption of information and communications technology (ICT). Such technology makes it much easier to fragment the production of goods and services and to outsource certain tasks to other countries. This 'great unbundling' has extended the reach of globalisation to domestic activities where workers were previously sheltered from direct international competition.



Source: Federal Office of Political Education (Germany) 2006, own translation

Another feature of globalisation is the sharp increase in foreign investment: in 1970 annual foreign investment totalled $13 billion, in 1990 total foreign investment was $208 billion, while in 2004 this figure had increased to $648 billion.

Mergers and acquisitions

Multinational companies, in particular, have the technical, financial and political resources required to implement global strategies for sourcing and value creation. Transnational mergers and acquisitions today make up around 65% of all foreign direct investment. Nearly 55% of all transnational mergers and acquisitions are so-called 'mega-mergers' involving acquisitions of at least $1 billion.

While in 1980 around 17,000 multinational companies existed; this figure had increased to more than 63,000 in 2000 and had increased further to 70,000 by 2004. At the same time, the number of subsidiaries of multinational companies in 2004 stood at approximately 690,000.

Consequently the size and power of MNCs has grown steadily during recent decades through mergers and acquisitions: between 1990 and 1999 the number of global mergers increased from 9,000 to nearly 25,000. The number of transnational mergers during the same period increased from 2,500 to more than 7,000 in 1999 and over 8,000 in 2000.

Effects of the increasingly prominent role of institutional investors in corporate finance

The increasing influence of institutional investors on corporate finance and development also has to be regarded as a major driving force behind globalisation and restructuring. The assets managed by institutional investors have increased rapidly during the last two decades from nearly $3 billion (1980) to $36 billion (2000) and further still to $55 billion in 2005.

The increasing influence of foreign investors has a major impact on corporate finance since it also results in a shift from an institutional/bank-based financing system to a market-based model: in contrast to banking institutions, institutional investors do not provide companies with credit but rather buy shares in the company which can then be traded.

The growing influence of institutional investors and private equity on corporate management and company development often directly results in restructuring operations in order to boost a company's performance. Outsourcing and organisational change specifically should be mentioned here. There are three main reasons for the growth in outsourcing and organisational restructuring:

- cost savings leading to growth in profits;
- rationalisation of activities to improve performance and increase productivity;
- specialist economies resulting from an increased focus on the company's core activity.

Under the outsourcing business model, firms concentrate on what they do best - their 'core competence' - and leave the rest to others. This is considered a crucial element of companies being cost-competitive and raising productivity, while at the same time improving the quality of their goods and services. Shipbuilding and the aircraft industry are typical examples. Anything that is not seen as providing a long-term competitive advantage within the industry (e.g. the production of component parts and equipment) is usually outsourced to external suppliers. Also, many restructuring operations in the context of privatisation and reorganisation of industries in the new Member States follow this business model based on core competences.

This specialisation within the production chain does not only affect demand for and the structure of the manufacturing and the services sectors. It also has a significant impact on telecommunications, transport and related services. Former industrial jobs are now being outsourced not simply to goods producers but also frequently to transport and logistics companies, which are becoming an increasingly important element of economic and social development.

Global Sourcing: offshoring and relocation

Although it is becoming increasingly important in the context of globalisation and of the increased influence of shareholder focus in firms' development, outsourcing has always been an important form of company restructuring in Europe. In contrast, offshoring and delocalisation are rather new trends closely linked to globalisation of services and industries and the implementation of the European internal market.

There are four main drivers behind the current rapid development of offshoring in the services sector:

- spread of information technology and innovation resulting in reduced telecommunication costs;
- increasing liberalisation of global trade and easy access to foreign markets;
- cost savings;
- access to a large pool of skilled labour outside the home country able to speak a common language (e.g. India and the English-speaking market).

Data from Massachusetts-based Forester Research estimates that around 1.5 million jobs in the services sector in Europe will be offshored to lower-waged economies in the next 10 years. In particular, India and China are becoming the favoured offshoring destinations for high-end telecommunications, software development and research and development work (see Ernsberger R., *The Big Squeeze,* Newsweek, (30 May 2005).

While US business is dominating the global market in offshoring, the UK holds the largest share of the offshore market on account of its more liberal employment and labour laws. However, there is widespread offshoring in the services sector in more regulated European economies, too: a national report on offshore outsourcing in Denmark, produced by the European trade union project *Making Offshore Outsourcing Sustainable* (MOOS Project, www.moosproject.be), highlights Central and Eastern Europe as one of the target destinations of Danish offshore outsourcing of knowledge and service jobs because of the lower wages in those countries.

Although these figures provide useful information, it is important to realise that they present only a partial picture and lack any historical perspective. A seminar, organised by the EMCC in March 2005, on the offshore outsourcing of business services highlighted the lack of any comprehensive statistical indicators as to the current extent or nature of global outsourcing and offshoring. There is an urgent need to resolve the problems of gathering statistical data and to produce more reliable analyses of these processes.

There are various reasons why operations and activities are relocated to other countries:

- increased productivity;
- tax benefits;
- more favourable currency exchange rate;
- savings on labour costs;
- availability of subsidies;
- market closure;
- more liberal legislative environment, including labour laws.

Although these will be weighted differently in each specific case, various trends are evident within the broad patterns of relocation. Changes in the world economy during recent years have seen more and more activities relocated to Asian countries, including China, as well as the emergence of other countries with far lower unit labour costs and less intricate labour-market regulation than in Europe. This has contributed to an increase in *social dumping*, with companies seeking out countries with lower wages, lower social security provisions and fewer regulations on labour and working conditions.

Another problem for European Union economies in recent years has been the strength of the Euro, which has made exports of European products more expensive and more difficult. This has coincided with a process of increasing globalisation in which customs barriers have been lowered or removed completely.

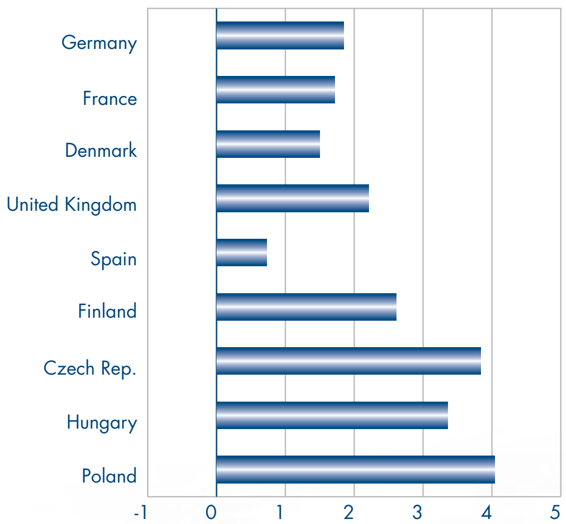
Finally, some companies now appear to be seeking out countries with more liberal laws or cheaper land prices, rather than lower wage costs. This is particularly true of those industries where wage costs represent no more than 10% of production costs (e.g. electronics) or sectors where plant size is an issue (e.g. logistics and distribution). In some cases, a multinational will stay for a given period in a country to take advantage of its market and official subsidies and then move elsewhere, at the same time profiting from the sale of land that it acquired at low cost when it initially set up operations.

Globalisation, jobs and wages

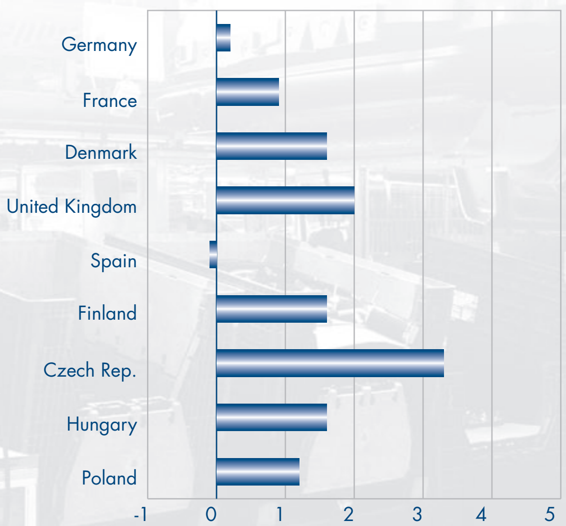
As a recent survey by the OECD confirmed, globalisation and the global reorganisation of value chains has not only resulted in shifts in global production, trade and investment. Another important feature is that workers have had to make concessions on wages and working conditions to keep their jobs. 'Concession bargaining' and 'downward spirals' are terms closely connected to globalisation, although they also depend on political framework conditions and the bargaining power of organisations representing employees' interest. Despite specific political and socio-economic framework conditions it is quite clear that inequality in most OECD countries has been rising during the last decade: in most countries for which data are available, the earnings of the best-paid 10% of workers have risen relative to those of the least-paid 10% since the mid-1990s. Based on this evidence, the OECD survey concludes: *"Although it is very difficult to single out the effect of trade, the data suggest that globalisation through increased offshoring has contributed to shifting labour demand away from less skilled workers and hence to rising earning inequality."*

Average annual trend growth rate of GDP per capita 1995 to 2005, real compensation* 1994 - 2004

Labour productivity [a]



Real compensation [b]



Other driving forces behind restructuring in Europe today: privatisation and public-sector restructuring

Globalisation is an important but of course not the only driving force behind restructuring in Europe today. There are other important background factors and dimensions. Two key such factors are privatisation and decentralisation.

The term «privatisation» is normally used to refer to the transfer of public-sector utilities and services to private organisations, as well as to the liberalisation of former state-owned monopolies. Privatisation is a complex topic to define, since it covers a range of different situations and processes. One important element associated with privatisation is the widespread expansion of private-sector policies and management styles and practices into areas such as public utilities and welfare services. Market liberalisation, the pressure of competition, and the importance of economic performance, cost-effectiveness and profitability are seen as some of the main forces affecting this transformation process.

The process of privatisation has occasioned major changes, affecting most European countries. In particular, changes in policy concerning public ownership have affected not only state-owned companies in competitive sectors such as manufacturing but have also been extended to public utilities and the provision of welfare and other services.

The main reasons behind the move towards privatisation are:

- reduction in direct public investment;
- opening up of domestic markets to competition.

The UK has been one of the countries regarded as being at the forefront of the trend towards privatisation, the latter having had a major impact on both the country's competitive sectors and its public utilities. This was driven initially by the neo-liberal 'free-market' concept favoured by the Conservative government during the 1980s.

The subsequent adoption of a series of EU directives on 'liberalisation' (telecommunications, railways, air transport, energy and postal services) aimed at breaking up national monopolies and introducing increased competition, has extended the privatisation principle within Europe. In particular, progress towards Economic and Monetary Union (EMU) and the pressure exerted by the Maastricht Treaty's convergence criteria have encouraged governments in different European Member States to sell state assets and stakes in industrial companies.

*** -** Wages plus benefits
a - GDP per hour worked
b - Compensation per employee in the business sector is deflated by a price deflator for private final consumption. Expenditure and aggregates are computed on the basis of 2000 GDP weightings expressed in 2000 purchasing power parities. Annual average of 1994.

Source: OECD Employment Outlook 2007

Since the early 1980s, increasing privatisation has been a characteristic of economic policy throughout Western Europe. This represents a significant change from the period immediately following the Second World War which saw increasing public intervention in the economy.

However, it is important to distinguish between the development of privatisation within specific companies and changes that may be taking place at national or sectoral levels. This is a distinction which is particularly relevant in examining sectors that have been subject to market liberalisation. For example:

- in Spain, Portugal, Greece, Italy, Ireland, Luxemburg, Belgium, Denmark, Germany and the United Kingdom privatisation has involved a substantial reduction in state ownership of both corporations in competitive sectors (e.g. iron and steel, textiles, chemicals, automobiles) and public utilities (e.g. telecommunications, electricity, transport). It has also involved, to a lesser extent, welfare services, most notably at the local level and often involving outsourcing;
- Italy and Ireland in particular have experienced major privatisations of state-owned banks, insurance companies and airlines;
- conversely, in France public utilities and welfare services are excluded from full privatisation, with only partial sales having taken place at France Telecom and Air France. This has been accompanied, however, by a tendency to contract out auxiliary activities (e.g. catering, cleaning). In France, contracting out at local level seems to be very extensive, particularly in the water industry;
- in Finland and Sweden 'corporatisation' (i.e. taking the form of a company but remaining in public ownership) has been the preferred means of opening up large-scale state-owned companies and activities (e.g. railways, postal services, air traffic, banking) to competition.

Europe is now at the forefront of the trend towards privatisation. In 1998, European sales of public assets accounted for more than 50% of all revenue from privatisation income worldwide. However, privatisation has not been implemented on the same scale in all European countries; rather each country has defined a particular set of more or less explicit guidelines for the process and has developed a distinctive approach.

Privatisation has heavily affected competitive sectors, public utilities and welfare services, but to differing extents. Equally, while there has been a general retreat by the state from competitive sectors, the level of privatisation and liberalisation in public utilities, though very high, has varied from country to country. In welfare services (such as health and social services), changes have taken place mainly as a result of the spread of outsourcing and competitive tendering procedures. In telecommunications, privatisation has generally been linked to the creation of new sectoral markets and systems of industrial relations (which has not usually been the case in other competitive sectors).

Conclusion

To sum-up, restructuring in Europe today might be regarded as a result of different social, technological, political and economic developments within the framework of a similarly wide variety of contexts (global, European, national, sectoral, regional, company-level). While restructuring in general should be seen as a permanent aspect of economic development, these factors and developments clearly have both accelerated restructuring operations and broadened the variety of ways in which they are implemented in Europe today.

SECTORAL VARIATIONS IN RESTRUCTURING

OVERVIEW

European labour markets have undergone shifts during recent decades. Long-term trends are evident such as the shift from manufacturing to services and these are illustrated by Eurostat employment figures.

In the EU-25 between 2000 and 2005 nearly a total of 1.8 million jobs were lost in manufacturing. This was mainly due to a massive decrease in the EU-15 Member States (nearly 2 million) and only a slight increase in the new Member States (200,000).

Jobs were also lost in both Eastern and Western Europe in other traditional sectors such as agriculture (down 1.3 million jobs) and mining/quarrying (down 160,000).

These losses were compensated by massive job increases in service-sector employment, namely in companies active in:

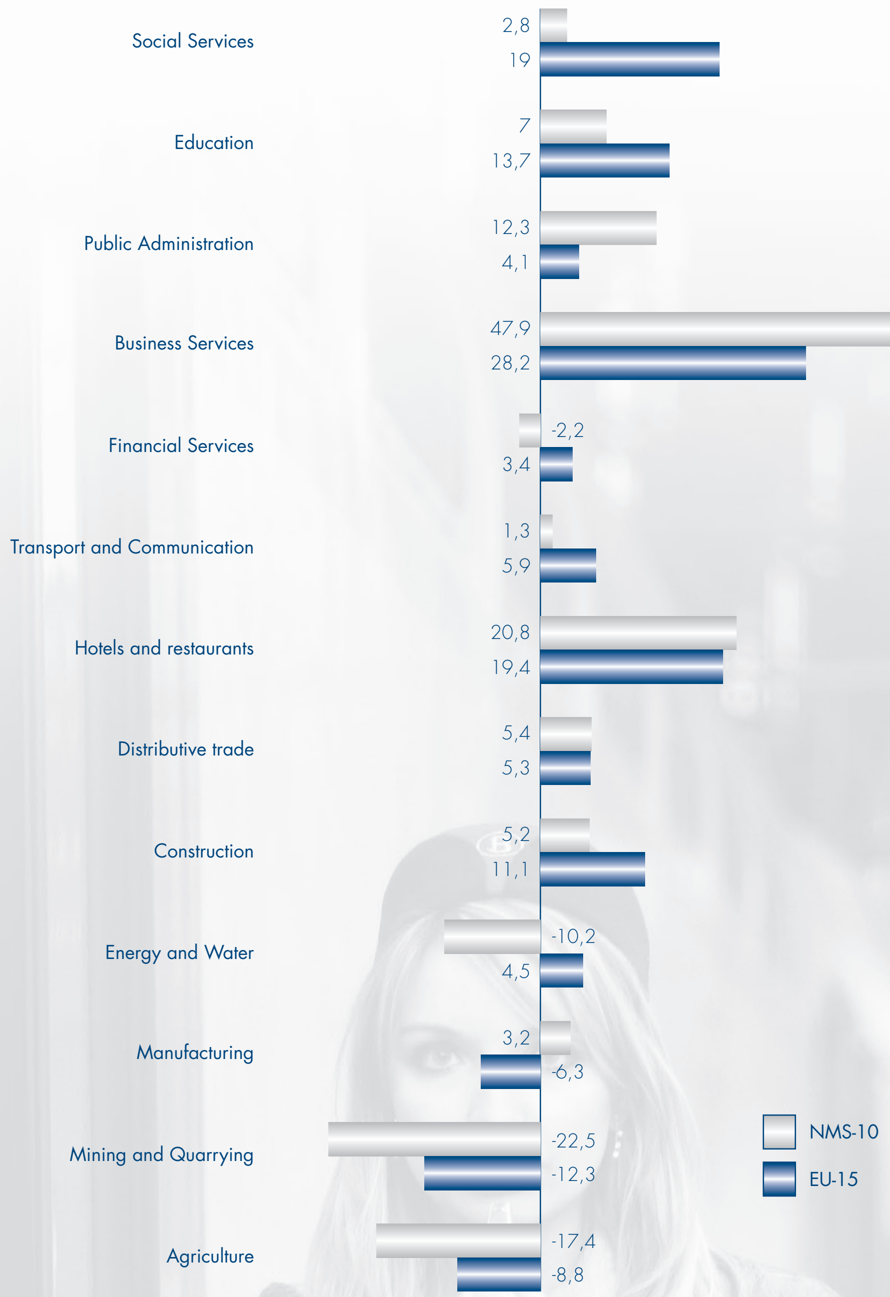
- business services (employed 4.4 million more people in 2005 than in 2000);
- social services (mainly in the EU-15, jobs increased by a total of 2.9 million);
- education (1.5 million jobs);
- distributive trades and hotels and restaurants (1.4 million each);
- construction (also 1.4 million).

There are some significant differences between old and new European countries in terms of employment development:

- similar ratios of job creation in sectors like business services, hotels and restaurants, distributive trades;
- different rates of job creation, e.g. different increase ratios in sectors like social services, education, public administration;
- different rates of job losses in sectors like agriculture or mining/quarrying;
- sectors such as manufacturing (massive decrease in old Europe, slight increase in new Europe), financial services (decrease in new Europe, increase in old Europe) and energy and water (decrease in new Member States, increase in EU-15)

While both the main economic sectors and the old and new European Member States reflect rather different patterns of job and business creation, privatisation, relocation abroad (manufacturing), downsizing as a result of technological change and productivity increases, the variations between EU countries are even more striking and this is illustrated in the following chapter.

Structural change in European employment 2000 - 2005 (change in %)



Eurostat Labour Force Data

One in two jobs in manufacturing in the EU-15 countries which were lost between 2000 and 2006 (net total of nearly two million) were originally located in the UK, which alone lost nearly 1 million jobs. Other countries experiencing a massive decrease in manufacturing jobs were Germany (nearly 500,000) and France (300,000) while positive employment trends only occurred in the new Member States (in particular Poland and the Czech Republic) and Spain (increase of 200,000 jobs.

The table below also shows other significant variations in absolute figures in employment trends in a sample of nine European countries.

Number of job losses and gains by sector and country 2000–2006 (thousands)

NACE Sector	EU-15	NMS	CZ	DK	DE	ES	FI	FR	HU	PL	UK
A_B Agriculture	-601.8	-677.3	-62.1	-12.6	-115.4	-88.3	-32.9	19.2	-58.5	-406.8	-34.3
C Mining and Querrying	-63.6	-100.3	-17.5	1.9	-29.7	-1.1	0.8	-15.5	-5.8	-65.0	6.0
D Manufacturing	-1.976.4	208.6	81.7	-61.2	-488.7	213.3	-38.7	-304.5	-53.8	118.7	-951.8
E Energy and Water	53.5	-55.1	-0.3	5.6	9.8	20.7	-5.4	32.7	-10.0	-34.9	-16.2
F Construction	1.384.0	115.2	-0.5	20.7	-649.9	842.2	8.8	204.5	55.5	-154.1	369.0
G Retail etc.	1.252.0	217.3	9.2	32.2	109.4	479.0	22.0	242.3	35.3	23.9	-6.9
H Hotels, Restaurants	1.250.4	153.0	27.6	8.9	171.2	383.3	-0.1	103.0	28.6	28.4	97.8
I Transport, Communication	572.7	27.1	-9.4	-6.0	76.5	227.2	6.1	-22.5	-10.2	38.5	76.6
J Financial Services	184.0	-14.9	-3.1	0.9	-21.0	58.7	-2.9	72.2	-4.1	-41.0	43.2
K Business Services	3.877.2	602.6	55.5	29.5	839.7	740.5	52.7	429.9	79.3	327.9	269.9
L Public Administration	488.9	219.2	16.3	7.6	-128.0	252.7	-0.9	179.6	21.1	144.7	328.0
M Education	1.442.2	151.5	-10.3	30.5	255.9	259.2	7.7	-32.4	8.7	141.5	416.9
N Social Services	2.872.8	51.8	44.2	16.0	580.9	365.4	43.4	575.5	24.7	-66.4	553.3
Total	10.735.9	898.7	131.3	74.0	610.7	3.752.8	60.6	1.484.0	110.8	55.4	1.151.5

Eurostat Labour Force Data

One important conclusion can be drawn from these figures: although there are, of course, different East-West patterns in employment development, there are also significant variations and in some cases diverging trends in nearly all economic sectors within the EU-15 and the new Member States. This obviously reflects certain differences in socio-economic backgrounds, rates of structural change and policy options.

The following chapters will deal with sectoral contexts of, background to and driving forces within various industrial and service sectors in Europe and which were addressed in the context of our project and the workshops we organised.

THE EFFECTS OF GLOBALISATION ON TEXTILE AND CLOTHING

The European textiles, clothing and leather sector is in a state of continuous restructuring and change, mainly as a result of international competition from developing countries. Perhaps the greatest pressure for accelerated change within the EU textiles, clothing and leather-manufacturing sector now comes from international trade issues such as the elimination of import quotas from 1 January 2005 and the ongoing negotiation on tariffs and non-tariff barriers within the Doha round of world trade talks.

In addition to the challenge of globalisation, the sector is undergoing continued modernisation with greater use of information and communication technologies (ICT), enabling productivity to increase and production to be reoriented towards high-quality articles with a greater emphasis on innovation. In the face of such rapid and intense change, the employment outlook in the sector remains uncertain - and this fact is clearly underlined by the instances of restructuring reported during this quarter.

As regards clothing, the changes did not affect all European countries to the same extent. In 'old' European countries, clothing industries were significantly affected not only by relocation, but also by international sub-contracting mechanisms. The clothing industries held up better in some of the countries that devalued their currencies in such a way as to make them competitive (where possible) such as Italy, those that had benefited from these mechanisms (some Eastern European countries), or those that implemented Euromed type of strategies (notably with Morocco, Tunisia and Turkey).

Structural change led to a drop in employment [3] : between 1999 and 2004, the EU-25 countries lost around 25% of jobs in the textiles and clothing sector. Nevertheless, the changes that occurred between 1999 and 2004 must be examined more closely. The percentage of jobs lost was higher than the EU-25 average in several countries. In Germany, for instance, it was nearly 26%, in France more than 27%, in Austria more than 26%, in Poland more than 28% and in the United Kingdom nearly 51%. Jobs were also lost in the textiles and clothing sector in the new Member States: the Czech Republic lost nearly 27% of jobs in this sector between 1999 and 2004 and in Hungary and Slovenia the decrease was over 20%. These trends have continued during recent years with increasing numbers companies closing down or going bankrupt in the new Member States. This is illustrated by the following examples taken form the ERMCC database [4].

- In January 2007, the German clothing company Mustang announced that it would be shutting down its plant in Hungary at the end of March 2007. As a result, all 400 workers will be laid off. Mustang Marcali started its operation in Hungary in 1992 with the production of jeans. The parent company has invested up to HUF 1 billion in the facility over the past 15 years. Production was boosted after the company's Portuguese unit was closed down and an 800-square-metre production hall was built in Marcali in 2002. In 2005, Mustang decided to shut down production in Western Europe, Russia and Poland, and to rely on production in Asia as well as on subcontractors. The company is now closing the Marcali unit because of increased production costs in Hungary despite increasing revenues in previous years.
- In summer 2007, Alytaus Tekstile, a Lithuanian textile-manufacturing firm, announced that it had gone bankrupt and that as a result its 1,200 employees were to lose their jobs. Despite the fact that the firm has received subsidies from the Lithuanian Government, the company experienced a loss of LTL 7.5 million during the first half of 2007. It is hoped that the dismissed workers will find it relatively easy to secure new employment. Alytus Labour Exchange has announced that some of the Alytaus Tekstile workers are to be employed in other textile firms in Kaunas and in other areas of Lithuania.
- In May 2007, the international textile-manufacturer Dogi announced that it would be reducing its workforce in its Spanish plants in the context of an immediate Employment Restructuring Programme *(Expediente de Regulacion de Empleo)* affecting no less than 30% of its staff. The company aims to boost its competitiveness and thereby consolidate its international market by expanding activities in Asia.

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3 - See the recent *Report for the European Textile and Clothing social partners to secure better anticipation and management of industrial change and sectorial restructuring*, Brussels, May 2007

4 - The EMCC database is run by the European Foundation for the Improvement of Living and Working Conditions in Dublin, see http://www.eurofound.europa.eu/emcc/index.htm

THE EFFECTS OF THE SINGLE EUROPEAN MARKET ON THE FINANCIAL BUSINESS SECTOR

The rise in job losses related to restructuring activities within the sector comes at a time when Europe's objective of creating a single European financial market is well under way. Rapid changes in the framework of financial markets, such as the introduction of the single currency and the launch of new products as well as progress in information and communication technologies, all underscore the potential of Europe's financial markets.

However, these also generate heightened competition among financial services providers, forcing banking and insurance institutions to fight for their share in the global marketplace. As a result, companies in the financial sector have resorted to different strategies ranging from mergers and acquisitions, downsizing and outsourcing to internal restructuring measures in a bid to maintain their competitiveness. The following recent examples illustrate this.

- In July 2006, the Italian bank UniCredit announced its intention to reduce the number of full-time staff (at that time nearly 134,000 employees) by 6,840 by the end of 2008 as part of a plan to boost annual earnings by 27% following last year's acquisition of the HypoVereinsbank group HVB, one of the largest banks in Germany. An additional 5,000 jobs will also be created, the bulk of which will come from expansion in Russia in areas such as investment banking and customer credit. UniCredit was one of the first banks to realise the potential for growth in Central and Eastern Europe. One of the main benefits of the HVB takeover was the acquisition of a large presence in many countries in the region. Most of the projected job cuts will come from those growing banking markets.
- In August 2006, HypoVereinsbank (HVB) announced a cut of some 4,000 jobs in 2006 and 2007 following the merger with UniCredit in 2005. The restructuring programme also included plans to offshore HypoVereinsbank's IT services to Eastern Europe.
- At the end of May 2007, UniCredit and Capitalia, two of Italy's leading credit institutions, approved their merger project. The new bank aims to enhance its competitive position in several segments (e.g. consumer credit, leasing, factoring and personal financial advisory) and increase its scale in global businesses. However, the merger also will result in a massive downsizing of jobs: the reorganisation plan presented in July 2007 details the loss of around 8,000 jobs.
- In April 2007, the American banking company Citigroup announced its plans for a major restructuring programme in the United States and Western Europe. No specific country was mentioned but the programme may affect between 17,000 and 45,000 people. It is the first major workforce reduction the bank has seen in the past ten years. The group hopes that the plan will cut costs by $1 billion each year by paring down some administrative layers and transferring some of its activities to lower-cost countries (e.g. from the UK to Poland). Around 9,500 workers from Citigroup branches outside the United States may be affected.

Good practice in anticipation: the industrial restructuring fund for the sugar industry

In anticipation of upcoming massive restructuring as a result of the abolition of sugar quotas, social partners in the sugar industry have come up with several key initiatives covering both elements of anticipation and monitoring and frameworks for socially responsible restructuring. To this end, an industrial restructuring fund has been set up for companies deciding to cease production and a diversification fund for countries that support the discontinuation of production. Companies may utilise the restructuring fund from the time they undertake to dismantle the site and draft a restructuring plan. This plan must include a presentation of the intended aims and objectives and subsequent means of implementation, a timescale, the cost of the planned measures and how they will be implemented, the amount offered in aid to sugar beet producers, a social plan (for retraining, reclassification, early retirement and any other specified national requirement), an environmental plan and a business plan. In this context, the social partners have taken several initiatives in terms of the ways in which companies can exercise their social responsibility; these include the signing of a Code of Conduct in 2003 and the subsequent implementation and monitoring of good practice. At the same time, an observatory has been set up and put online with the help of the ESO (European Social Observatory). This observatory suggests:

- identifying sugar refineries in Europe geographically;
- industrial scenarios (total or partial closure, merger, redeployment)
- competent local authorities;
- a glossary;
- national information: contacts, websites.

The purpose of the observatory is to create a shared overview of implementation measures and restructuring operations at both a global and a local level; to this end, it has drafted a practical guide, focussing in particular on the use of structural funds and outlining the formalities to be completed and the contacts to be established.

OFFSHORING IN THE SERVICES SECTOR

Offshoring (or "offshore outsourcing") is a relatively recent trend but one which is increasingly affecting not only the manufacturing but also the services sector and is driven by developments such as:

- increasing liberalisation of global trade and easy access to foreign markets also triggered by the spread of information technology and declining telecommunication costs;
- access to large pools of skilled labour outside the home country able to speak a common language (e.g. India and the English-speaking markets)

The main aspects of offshore outsourcing in the service sector are described in the UNI's Offshoring Charter:

> "Today's offshore outsourcing projects involve high-value services. In addition to software development, the market is growing fast particularly for so-called ITES (IT enabled services) and BPO (business process outsourcing) - including customer service functions such as contact and call centres. Sectors primarily involved in offshore outsourcing are banks, insurance companies, media, graphical, IT services and telecommunications, health care providers and manufacturers. What UNI observes today is the globalisation of work organisation in the services sector at an unprecedented scale and speed with an increase in offshore outsourcing of service jobs to all continents. With the globalisation of services provision, more people in UNI sectors throughout the world are being exposed to the realities of globalisation. UNI is adamant that this process must not become a race to the bottom, as regardless of where we are in the world, this is not in the best interests of workers, consumers, national economies or sustainable development."
> (UNI's Offshoring Charter, www.union-networg.org)

As a report on recent trends and patterns of offshoring and outsourcing in the European information and computer technology sector indicates, very little knowledge is available and there are no reliable indicators as to the extent of global offshore outsourcing. [5] There is, however, a general consensus among experts and practitioners about the growing significance of offshore outsourcing in Europe and in the global context.

- A report published by Forrester Research states that offshore service spending in Western Europe will grow from €1.1 billion in 2004 to €3.6 billion in 2009, with the UK accounting for 76%, by far the highest share.
- The UK service sector trade union Amicus (now Unite) estimated in a report in 2004 that around 2 million financial service jobs will be outsourced from Western countries to India by 2008. For the UK, Amicus estimated that 1,000 jobs a week are lost to offshoring and that 200,000 jobs, especially in IT, will be offshored by 2008 [6].
- Reports on other European countries indicate similar trends: summing up the various forecasts in 2004, the British TUC estimated that around 2-3% of all EU service employment may be offshored by 2015 [7].
- Reports from Denmark highlighted Central and Eastern Europe as the main target destination for Danish offshore outsourcing in terms of knowledge activities and service jobs: *"The general picture in Denmark is still that Danish multinational companies such as CSC, TDC, KMD, Lego, Bang & Olufsen are outsourcing activities offshore in part to India but primarily to Eastern Europe, Ukraine, Russia, the Czech Republic and the Baltic States."* [8]

5 - U. Huws, S. Dahlmann, J. Flecker: *Outsourcing of ICT and related services in the EU*, European Foundation for the improvement of Living and Working Conditions, Dublin 2004

6 - Amicus MSF, *Back to the Future as Call Centres Go Same Way as Manufacturing*, London, Amicus, 2004

7 - TUC submission to the DTI consultation exercise on Global Offshoring, 8 March 2004, cited in: U. Huws, S. Dahlmann, J. Flecker: *Outsourcing of ICT and related services in the EU*, European Foundation for the improvement of Living and Working Conditions, Dublin 2004, p. 12.

8 - See www.moosproject.be

Some recent examples of offshore outsourcing in the financial and business services sector taken from the EMCC database on restructuring also illustrate these developments.

- In February 2007, the British Prudential group announced that it would be exporting 210 jobs to India as part of a wider move to use cheaper centres offshore. Just a month later, in March 2007, the company announced 3,000 job cuts within the UK. Union officials warned that more jobs were at risk as the company increased its reliance on offshore centres to drive down costs.
- French insurance group Axa presented plans in September 2006 to transfer 1,500 jobs to Morocco by 2012. This is not the first time that the company has planned this kind of initiative, but it is the first time that its French operations have been directly affected. While firms elsewhere have been relocating much of their workforce offshore, the French sector has been an 'exception' due to the robustness of the sector. Most of the new staff hired in Morocco will be responsible for tasks such as portfolio management, which the company says require only a short period of training. Axa believes that these measures are needed to improve the quality of its services, cut costs and remain competitive. French Trade unions are angered by the plans to transfer jobs to Morocco and for the first time in years have presented a united front to demand that the management of the company 'abandon' these plans.
- Aviva, the UK's biggest insurer, is to cut 4,000 jobs in its UK insurance business Norwich Union by 2008 as it seeks to cut costs. Aviva said 1,000 of the jobs to be lost would be offshored to India, with about 500 to be outsourced. The firm is aiming to save £250 million a year in 2008, at a cost of £250 million by the end of next year. About half of the staffing reductions will be compulsory. Norwich Union employs about 36,000 people in the UK and the restructuring plans will trim about 11% of its total staff.

PRIVATISATION AND DEREGULATION OF TELECOMMUNICATIONS AND POSTAL SERVICES

In less than two decades, Europe's telecoms sector has shifted from a nation-based industry, monopolised by public telecommunications operators to a free market system, operating on an international scale [9]. The European Commission has played a key role in promoting market liberalisation through its regulatory regime. Over the past two decades, the telecommunications services sector in Europe has undergone major transformation, evolving from a mainly monopolistic sector into a competitive, productive and increasingly innovative one. The sector is no longer defined as telephone services only. Today, the telecoms sector embraces many areas, including the distribution of data, sound and images and other information via cable, broadcasting, relay or satellite. The management and maintenance of networks, as well as the provision of services using these networks are also included in this category, although the production of radio and television programmes is not.

The transformation of the telecommunications industry is not peculiar to EU countries, but has emerged as a global trend. One unique feature of the EU telecommunications industry is the leading role played by the European Commission (EC) in promoting market liberalisation and dismantling state monopolies. During the 1990s, EC regulation gradually opened up the sector's segments to competition: from the services directive (90/388/EEC) in 1990, the mobiles directive (96/2/EC) and the full competition directive (96/19/EC) in 1996, to the new regulatory framework in 2002. Defining an EU regulatory framework has helped to establish a more stable environment for the sector on a European scale, although there are still some national variations between countries.

As a result, the sector's industry has undergone large-scale restructuring over the past two decades. Indeed, a number of former national public telecommunications operators have become part of major international operations diversifying their activities as service providers and/or network operators. Thus, the organisational complexity of telecommunications operators has increased significantly in recent years. This, in turn, has led to restructuring among major European companies in order to streamline their activities and to increase efficiency.

However, major challenges still lie ahead for the telecoms sector. Following several years of robust growth, mainly generated by the expansion of mobile telephony, the market is now slowing down. New services, in particular, data mobile and Internet services, have ignited new growth drivers. Nevertheless, the high mobile density levels, evident in most EU countries, and price pressures generated by increased competition, have created more difficult market conditions for telecoms operators. Against this background, the telecommunications sector has, for some years now, experienced major restructuring, including internal reorganisation programmes, outsourcing, mergers and takeovers as illustrated by the following examples.

- In 2006, Nokia and Siemens, two of the world's major communications companies, announced the creation of the joint venture Nokia Siemens Networks that became one of the three largest telecoms providers in the world. Nokia Siemens Networks has approximately 60,000 workers worldwide and is headquartered in Helsinki, Finland. In May 2007, the company announced a huge reorganisation plan that envisages the loss of around 9,000 jobs by 2010 in order to reduce the new company's costs. In particular, the under plan 2,900 workers would be made redundant in Germany and around 1,700 in Finland.
- In January 2006, France Telecom, the French telecommunications company, announced that 16,000 jobs would be lost in France by the end of 2008. 22,000 people are to leave the company through 'natural attrition' by 2009. Voluntary relocations are also expected (1,000 a year). Early retirement measures, considered to be too expensive, will not be implemented. No information was given on the exact number of direct dismissals.
- In April 2006, Alcatel SA and Lucent Technologies Inc. signed a merger agreement to form a Paris-based telecommunications equipment giant. The news was followed by the announcement that around 9,000 employees across the world would lose their jobs. In February 2007, Alcatel-Lucent confirmed that the company is to cut between 12,000 and 13,000 jobs – more than 15% of its workforce - after posting severe net losses and a sharp decline in sales in the fourth quarter of 2006. The Franco-American group faces the threat of industrial action over the redundancies.

9 - See the *EMCC Dossier on the European Telecoms Sector*, Dublin 2005, http://www.eurofound.europa.eu/emcc/content/source/eu05008a.htm

Faced with the liberalisation of mail services in the EU by 2009 and with the explosion of e-mail, the postal sector and its state-owned companies are also under increasing pressure to reorganise. Some large-scale restructuring operations have already taken place in recent years, i.e. in Denmark, France and more recently in the Netherlands.

- In April 2007, TNT, the biggest private company in the Netherlands (and the former public postal services company), announced that between 6,500 and 7,000 jobs would be cut in the coming years. According to TNT, this figure could increase to 11,000 jobs if trade unions and employees refuse to accept wage reductions and more flexible working hours. The reason given for the restructuring is the liberalisation of the postal market. TNT argues that its competitors, Selekt Mail and Sandd, are paying less than the collectively agreed salary paid by TNT. At present, TNT is still taking advantage of the monopoly on personal mail (up to 50 g) which is due to end on 1 January 2008. Most of the job cuts will affect postmen and women, who will be replaced by so-called mail deliverers, who are much cheaper due to shorter working hours and lower salaries. Unions and the works council opposed the restructuring and demanded an independent review of the plans. TNT agreed to this and the review was conducted by the Boston Consulting Group. The results of the review became public on 13 June 2007 and on the whole supported the views of TNT that between 6,500 and 7,000 jobs will have to go by 2010. A union spokesman admitted that job cuts appear unavoidable but called for TNT to do more to help affected workers find new jobs. According to a TNT spokesman further restructuring after 2010 cannot be ruled out. Between 2001 and 2006, 9,000 full-time jobs have already been cut.

SECTORAL EXAMPLES FOR THE REORGANISATION OF VALUE CHAINS IN THE CONTEXT OF GLOBALISATION

Household appliance industry

The household appliance industry in Europe has been characterised by major restructuring processes in recent years due to the high level of globalisation. Globalisation here has led to a reorganisation of value chains and increasing investments and relocation by EU companies towards Eastern and South-Eastern European countries as well as towards Asia. In 2003, the household appliance or so-called 'white goods' sector employed around 270,000 people, the highest numbers of jobs being in Germany (65,000), Italy (59,000), the UK (28,000), Spain (22,000) and France 20,000). However, although the share of total industry employment is rather small, in countries like Slovenia the sector accounts for a large proportion of manufacturing employment (4% of total employment in industry).

As a recent research project on restructuring processes in this sector proved, the general situation of the European household appliance industry is characterised by stiffer competition across all markets [10]: in recent years, many European companies have undergone major processes of reorganisation and rationalisation. Greater competitive pressure on costs, new challenges raised by international markets, fluctuating exchange rates, increased costs of raw materials and production factors are the main drivers behind change and reorganisation of value chains resulting in the relocation of production systems - either in whole or in part - from Western Europe and North America to the new EU Member States as well as to Russia, China and South America.

Major examples of this type of restructuring have been Electrolux, Whirlpool, De'Longhi, Zoppas, Indesit, Miele and Bosch-Siemens Household Appliance. In the case of Italy and given the concentration of this particular sector in certain regions, restructuring has resulted in an industrial crisis which has also affected the wealthiest part of Northern and North-Eastern Italy where these companies are located.

Some recent examples of typical restructuring programmes in the household appliance sector can be found in the database of the EMCC in Dublin.

- In 2004, Irca, the Italian subsidiary of Electrolux and which employs 1,400 people in Italy, announced plans to close down two out of its four production locations in Italy as well as the restructuring of its remaining two locations. Production will be relocated to foreign subsidiaries in Romania, China, Mexico and Brazil resulting in the dismissal of more than 600 employees.
- In 2005, the Swedish multinational group Electrolux announced that production capacity in Spain might be closed down resulting in 540 redundancies. Electrolux employed 2,500 people in Spain at that time. Even though the company recorded a 50% increase in profits during the first quarter of 2005, the group is considering delocalising its activity to Hungary where it owns a production centre to handle the Spanish plant's production. As also reported in the press, the group is also looking into closing plants in Italy and scaling down its activities in plants in Sweden and at another site in Italy (loss of 300 and 250 jobs respectively).
- In the context of a major European restructuring programme, in 2005 the US-owned company Whirlpool announced a reorganisation plan involving investment in the new Member States and the focussing of production on high-quality products both in the cooking and cooling ranges to avoid the increasing competition in the market for lower-quality products. In this context, the company announced the dismissal of around 1,000 workers in Europe but after negotiations with unions this number was reduced to 520.
- In 2005, Miele, the German manufacturer of household appliances, announced that it was planning to cut up to 1,100 jobs in Germany (out of a total workforce in Germany of 11,000). The management said that the job cuts were necessary to make the company more competitive.

The automotive sector

The most prominent sector in terms of global sourcing and global value chain management is, of course, the automotive industry. For decades now, the sector has been faced with ongoing restructuring in order to boost the profitability of individual production locations and to improve value chains and global management of production and supply processes and relations. However, against the backdrop of increasing competition (i.e. the success of Japanese carmakers in Europe and on the US market, emergence of new competitors) and overcapacity, the last two years have seen once again seen a new wave of large-scale restructuring operations affecting all car-producing EU countries and all brands.

10 - See: Volker Telljohann: *Restructuring processes in the European household appliances industry and the emergence of multi-level governance*, Workshop Paper delivered at the IIRA Europe 2007 Congress, 3-6 September 2007

- In autumn 2005, Volkswagen, Europe's largest carmaker, decided to reduce blue- and white-collar jobs in Germany by some 20%, which could mean the loss of up to 20,000 jobs over the coming years. Volkswagen points to its wage costs that are substantially higher than those of its competitors. Following this announcement, in July 2006 Volkswagen also decided to cut 200 out of 1,000 management jobs in Germany. The cutbacks are part of a plan to more than quadruple pre-tax profit to from €1.1 billion in 2004 to €5.1 billion in 2008.
- As a direct result of the Volkswagen downsizing programme, Skoda-Auto, the leading Czech car manufacturer, also announced in May 2006 that it had commissioned a personnel audit to verify the usefulness of some jobs within the company, namely in administration, maintenance, logistics and spare-parts distribution. Approximately 2,800 jobs were threatened by this measure.
- The notorious case, too, of the decision to close of the Forest plant in Belgium in November 2006 was also due to this overall restructuring programme at Volkswagen. In order to stabilise the workforce at Volkswagen's home site in Wolfsburg, it was decided to relocate production of the Golf model, previously manufactured at the Brussels plant, to the German plant. The decision resulted in the loss of 3,200 jobs out of the 5,400 at Forest. It should be noted that the restructuring will also lead to the loss of many jobs among subcontractors and suppliers of the plant since many of them work exclusively for Volkswagen Forest. Estimates put the total number of jobs lost (directly and indirectly) at between 10,500 and 12,000.
- In March 2007, Volkswagen announced that SEAT's Spanish units are planning to reduce their workforce by 10%. The reason given is two consecutive years of losses for the automotive giant. Losses at SEAT have been frequent since 2000 and as such there are plans to further reduce the workforce and upgrade production. The company is not looking to direct dismissals but other measures such as voluntary and collectively agreed early retirements (for employees older than 58) and bonuses and compensation for those quitting their jobs voluntarily. In April 2007, the trade unions and the company's management agreed a voluntary reduction of 1,500 jobs.

Financial compensation at Volkswagen

In the context of the large-scale job reduction programme in 2005/2006 (20% of blue- and white-collar jobs), Volkswagen is offering financial compensation to blue- and white-collar workers at plants in Wolfsburg, Salzgitter, Kassel, Braunschweig, Emden and Hanover if they agree to voluntary redundancy. The offers of compensation have been made to 85,000 workers with the aim of achieving 20,000 job cuts. The offers vary depending length of service and current salary. Workers who have worked at VW for more than 20 years may receive as much as €195,480 while the lowest payout, €40,680, is being offered to those who have worked for Volkswagen for five years or less. Workers deciding to leave by the end of September 2006 will receive an additional payment of €54,000 and those who quit in the last three months of 2006 will get a €27,000 bonus. By mid-July 2006, more than 2,000 workers had accepted such offers. Another€14,000 workers are eligible for early retirement under an agreement that the reached by the carmaker with the Metalworkers' Union IG Metall in February.
According to social plan negotiated at the Forest plant in Belgium, Volkswagen will pay workers leaving the company via voluntary redundancy compensation of between €25,000 and €144,000.

Not only Volkswagen but also all other major European carmakers carried out similar restructuring programmes in 2006 and 2007.

- In 2005, Daimler-Chrysler initiated a large-scale cost reduction plan which includes broad downsizing of the workforce worldwide: in addition to a reduction of 8,500 production jobs worldwide, the company also announced plans to cut 6,000 administrative positions globally. In Germany, 3,200 jobs in areas such as finance, human resources and strategic planning will be shed. The total reductions, which amount to 20% of the 30,000 people employed in management, will be made by the end of 2008. In March 2006, the company also announced that production of the Smart For-Four model in the Nedcar factory in Born would cease and that only production of the Mitsubishi Colt would continue. In addition to approximately 1,000 redundancies as a direct result of this decision, the trade unions and the works council fear that in the long run Nedcar Born will be closed down completely. This will mean a direct loss of another 2,000 jobs in addition to 7,000 jobs at various parts suppliers. Local authorities have asked for state support.
- In June 2006, and as a part of a large-scale restructuring programme, General Motors announced the closure of the Azambuja factory by the end of 2006, citing high logistics costs and the need to transfer production of Opel Combo to a larger factory located in Zaragoza, Spain. The closure will affect 1,200 direct workers. There is also the possibility that the closure will threaten a further 600 jobs in the supply industry.
- In January 2007, French carmaker PSA Peugeot Citroen announced that it was to cut between 7,000 and 8,000 jobs at its factories in France between January 2007 and December 2009. On 26 April 2007, the company announced that 4,800 jobs would be cut in France in 2007, a decision that was approved on 9 May 2007 by the central works council of PSA Peugeot Citroen. The move aims to reduce production capacity and align it more closely with demand. The central works council has examined the group's plans to cut 4,800 jobs in 2007 through voluntary redundancy schemes and natural turnover, that is, by not replacing workers who retire. The company is looking to cut costs amid falling sales and the rising cost of raw materials. The French carmaker said that during the past four years its sales in Europe have stagnated while its profitability has declined. Its worldwide sales fell by 0.7% in 2006 as a result of heightened competition in Western Europe.

NATIONAL VARIATIONS IN RESTRUCTURING IN NINE EUROPEAN COUNTRIES

UNITED KINGDOM: DEINDUSTRIALISATION AND OFFSHORE OUTSOURCING

In the UK, the public debate surrounding restructuring is largely driven by the terms 'de-industrialisation' and 'offshoring': the major trend in the UK of shifting from a manufacturing economy to one which was service-based and shareholder-oriented began back in the 1980s and was actively influenced by Thatcherism (coal, steel, shipbuilding), disinvestment, withdrawal of state aid, government macro-economic policies (overvaluation of exchange rates and high interest rates) and the dominance of the deregulated finance sector prioritising short-term return for shareholders. This involved waves of job losses and a sharp decline in the labour force in manufacturing. In 1978, 26% of the labour force was employed in manufacturing but by 2005, this figure had fallen to only around 10%. According to ELF employment data, this trend of de-industrialisation has accelerated again during the past five years: between 2000 and 2006, around 1 million jobs in the manufacturing sector were lost - equivalent to 1/5 of the total workforce and more than in any other European country.

One of the most prominent cases connected very closely to a new wave of de-industrialisation and the exodus of manufacturing is that of MG Rover:

MG Rover: What are the costs of closure?

In April 2005, MG Rover, the UK's last remaining volume car manufacturer at the Longbridge plant in Birmingham, and Powertrain, the engines producer, went into administration after months of speculation over the possible sale of the plant, causing direct job losses of 5,800. However, thanks to the work of a Rover Task Force which accompanied the closure and drew up suggestions and ideas as to how to cushion the social effects of redundancies, the Rover case also illustrates the impact of this type of large-scale manufacturing closure on the local and regional economy, supplier chains and communities. In a report on the economic impact of the closure published in November 2005 the following figures were presented [11] :

- the Rover closure resulted in the loss of a total of 1, 000 jobs, equivalent to 0.6% of total regional employment: in addition to the 5,800 direct job losses at MG Rover, the report estimates a potential loss of jobs in the automotive supply chain sector of approximately 3,900, the loss of up to 1,900 jobs at other supply chain firms (total supply chain job losses of up to 5,700) and up to 1,400 job losses due to an economic downturn in the region;
- the report also modelled monetary impacts: approximately £330 million - £380 million in regional gross value added (on an annual base), equivalent to between 0.4% and 0.5% of total annual regional GVA; some £310 million in gross wages and salaries (annually) and an annual loss in exchequer revenues of around £220 million;
- these figure do not include public funds which were spent on unemployment allowances, job seeking and redeployment schemes and so forth.

In addition to that of MG Rover, other prominent cases illustrate the disappearance of automotive manufacturing in Britain:

In February 2006, Land Rover announced details of its voluntary redundancy programme which included the loss of 1,300 jobs. The move followed a decision to shift production of the Land Rover Freelander from Solihull to Halewood on Merseyside and to stop making diesel engines for the Defender at the West Midlands site. Solihull, which employed about 8,000 people, will continue to produce the Defender using engines made at

Ford's diesel plant in Dagenham, the Range Rover and Range Rover Sport. The new engine is expected to mean production of the Defender continuing until at least 2010. Roger Maddison, national officer for the Amicus trade union, said it was «a sad day but entirely expected» after the transfer of Freelander production to Merseyside:

"These jobs may never be replaced in the West Midlands, which is a tragedy, but some solace is that these jobs will at least remain in the UK and that the redundancy terms being offered to people are the best the industry has ever seen."

In April 2006, PSA Peugeot Citroen announced its decision to close its car plant at Ryton near Coventry with the loss of 2,300 jobs. The plant, which assembles the Peugeot 206, will cease production in mid-2007. The reasons given for the closure were mainly high production and logistical costs. However, as early as 2005 the PSA Peugeot Citroen president had stated in the context of the opening of a new facility in the Czech Republic: *"I don't ever see us building a new plant in Western Europe again"* (Financial Times, 8 March 2005).

British union officials said the news was disastrous for British manufacturing. Derek Simpson, general secretary of Amicus, said: "It is inconceivable that workers in France would be laid off on this scale. Weak UK labour laws are allowing British workers to be sacrificed at the expense of a flexible labour market."

In addition to the decline in manufacturing, restructuring in the UK is closely connected with offshoring and outward relocation, not only in manufacturing but also - and to an increasing extent - in the service sector industry. A report by the EEF manufacturing employers' organisation (http://www.eef.org.uk) carried out in 2004 and based on a survey of 494 member companies found that 42% of companies had outsourced the manufacture of parts and components abroad and a further 20% were planning to do so. Other manufacturing functions had been outsourced abroad in some 20% of companies. Of the companies investing abroad (some 40%), half reported that this was to replace capacity in the UK (the other half reported it was to enhance capacity).

Whilst relocation and outsourcing of manufacturing operations to industrialising regions in relatively low labour cost countries is a long-established practice, 'offshoring' in the service sector is a relatively new trend. A 2003 survey by the CBI found that 29% of companies had already sent work offshore and that 59% were likely to do so over the next 2 years. According to the financial services union Amicus, the offshore operations of UK financial services groups grew from 200 employees in 1996 to 3,000 in 2002 and again to over 5,000 by 2004. The Trade Union Congress (TUC) estimates that between 150,000 and 750,000 jobs in the UK might eventually be affected by offshoring. Call centres and data processing services are amongst the activities most likely to be offshored. The emergence of offshoring in services has prompted renewed public debate, in which unions for workers in the financial and business services sector have become as prominent in voicing concerns over the impact on employment as their counterparts in the manufacturing sector who have long been engaged in such campaigning. Such concerns prompted the Government to launch a consultation exercise in Autumn 2003, with the publication by the Department of Trade and Industry (DTI) of a position paper entitled *Services and offshoring: the impact of increasing international competition in services.*

Increased competition in the context of globalisation, de-industrialisation, relocation and downsizing/closures in manufacturing and service activities today are closely connected. This is evidenced by a number of recent examples. Prominent cases in the manufacturing sector include Dr Martens (relocation of shoe manufacture to China), Samsung (closure of UK electronics manufacturing plant in favour of expansion in China and Central and Eastern Europe) and Kraft-owned Terry's (relocation of chocolate manufacturing to cheaper plants in Slovakia and Poland and newer plants in Belgium and Sweden). In the service sector, India and Asia are the primary offshoring destinations. Several financial services groups have made high-profile decisions to offshore back-office and call-centre operations to India, China and Malaysia including HSBC, Lloyds TSB and Norwich Union. In addition, a number of other large companies from other service sectors have moved some activities offshore.

Outwards relocation occurs across the manufacturing sector, with metalworking and machinery, electrical and electronic equipment and textiles, clothing and footwear being particularly prominent. In metalworking and machinery, relocating the manufacture of parts and components (and their sub-assembly) is the main trend. In electrical and electronic equipment and textiles, clothing and footwear relocation of the entire manufacturing process is more common. In parts of manufacturing, it is difficult to disentangle the effects of measures to address over-capacity from relocation of activities as new products are brought on stream at other plants. Automotive manufacturing is one example, with both the major American manufacturers having closed plants in the UK in face of overcapacity whilst launching production of new models at plants elsewhere in the enlarged EU.

11 - MG Rover Task Force: *Closure of MG Rover - Economic Impact Assessment, Stage 2 Report,* Regeneris Consulting, November 2005

FRANCE: RESTRUCTURING AT THE HEART OF PUBLIC DEBATES

Restructuring has become an important feature of the French social and economic debate. In addition, in France public opinion tends to focus principally on relocations. According to a CSA-L'Expansion-France Inter poll, published in October 2004, 88% of French people believe that company relocations are a serious issue and 35% fear that their own job, or a job held by someone close to them, may be relocated. This debate has generated numerous studies aimed at assessing the impact of relocations and detailing this phenomenon in qualitative terms.

Relocations are often linked to the de-industrialisation process. According to the French Observatory on Economic Conditions (*Observatoire français des conjonctures économiques*, OFCE) [12] the proportion of industrial employment in France fell from 23.5% of total employment in 1980 to 15.2% in 2002. As in other Western countries the decline in manufacturing employment is particularly striking in the clothing, leather and textiles, household goods, and electrical and electronic equipment industries.

However, relocations affect not only these industries - which are faced with increased global competition - but also virtually all industrial sectors to varying degrees. Company relocations to low-pay economies tend to be concentrated in the clothing and textiles, electronics and household goods industries. Relocations to developed countries usually involve highly concentrated industries such as car manufacturing, aeronautics, pharmaceuticals and electronics. Lastly, companies in industries generating low added value tend to relocate more frequently and the jobs of unskilled workers are, on average, affected more than those of skilled ones but none of the skill categories has emerged unscathed.

In reality, many instances of relocation to foreign countries are a genuine tragedy at local level, for example in the case of mono-industrial regions. In some cases there is also a symbolic aspect, with, for instance, a well-known French industry closing only to re-open in another country. Cases of unfair bargaining (where a worker is given a choice between keeping his/her job in the new country and being paid the local wage there, or becoming unemployed at home), blackmail (where a French deputy went on hunger strike, generating substantial media coverage in doing so, to register his opposition to the decision by a Japanese group to relocate its industry [13]) and so on have had a significant impact on French opinion in recent months.

At political level, a series of official reports have been published since 2000. As a comparative study of these reports observed [14], it is rare that the latter explicitly use the term "restructuring" despite it being the very issue that is raised. There is no doubt that this semantic absence is not unintentional since the word has controversial and painful social connotations. Indeed the authors of these reports prefer to deal with the issue in terms of «economic mutation» or «structural mutations». Other reports have focussed more specifically on the question of "de-industrialisation" and relocation confirming that although there is a clear lack of reliable data and figures, the trend has clearly «accelerated» as stated in a report for the Prime Minister in 2005 [15].

Another reality is that not all areas are equally prepared for conversion processes when the latter are required. According to a report of the French Delegation of Regional Planning (DATAR), today one local employment area in five is affected by a weakening of its industrial potential. At the macroeconomic level, the effects of restructuring may give a balanced picture but the evidence is, however, that the territorial dimension of the trend is rather more unbalanced.

As for relocation processes, analysts have commented that existing statistical information is not adequate for assessing the human and social impact[16] of such processes. Apart from territorial inequality, another imbalance is that between workers in the face of uncertainty. Not all individuals cope with restructuring in the same way and as a result they do not all share the same level of employment insecurity. The lower an individual's qualifications or the less transferable the skills (in the case of highly specialised assets for instance), the more difficult it is for the individual to convert and the more uncertain their career path. As we will see later on, in the case of a collective dismissal, not all workers have the same financial resources or are given the same level of individual guidance, etc.; those working for big companies (preferably under a permanent contract), with transferable skills and in high-performing regions (not mono-industrial areas) are those with the best prospects.

12 - See http://www.ofce.sciences-po.fr/pdf/lettres/264.pdf

13 - The industry was to be relocated to another region of France, not to another country. The Japanese group abandoned its plans and the French deputy called off his strike. The CEO of this group in France recently announced his desire to re-implement the relocation decision, arguing that the former statement abandoning the plans had been made under duress.

14 - R. Beaujolin-Bellet, G. Schmidt (2007), *Les restructurations : une vision française institutionnelle (2000-2005)*, in J. Allouche and J. Freiche (eds), *Restructurations d'entreprise : regards croisés*, Paris : Vuibert.

15 - L. Fontagné, J.-H. Lorenzi, *Désindustrialisation, délocalisations*, Economic Analysis Council Report to the Prime Minister, 2005.

16 - F. Edouard, *Conséquences sur l'emploi et le travail des décisions d'externalisation des activités*, Report to the Economic and Social Council, 2005.-

SPAIN: INSECURITIES ABOUT THE EFFECTS OF GLOBALISATION

Economic development and employment trends in Spain differ to a certain degree from other EU-15 states: on the one hand, Spain has experienced GDP increases in the last years which were clearly above the EU average and amounted to an average of 2.5% in the period 2000-2004. Also, the increase in employment figures in Spain is impressive. According to ELF employment data Spain was one of the main sources of net employment creation in the period 2000 - 2005 with 840,000 more jobs in construction, 740,000 in business services, 480,000 in distributive trades, 380,000 in hotels and restaurants and 360,000 in social services. And in manufacturing, where most EU-15 countries experienced a more or less significant decrease in employment, Spain also experienced an increase of more than 200,000 jobs.

Naturally, these figures must be interpreted with caution: an important factor influencing employment figures has been the inclusion of immigrants in statistical data. In 2005, the Spanish government introduced a revised version of the Spanish Labour Force Survey according to which the population aged over 26 recorded in 2004 increased by more than 1.5 million as a result of the upward revision of the foreign population. This increased the proportion of foreigners relative to the population aged over 16 from 3.5% to 7.6%. Another effect was that the labour force figures increased by around 1.1 million of which nearly 1 million were employed and 150,000 unemployed. The sectoral composition of employment has also been affected by the revision due to the concentration of immigrant workers in specific sectors (mainly construction, services and agriculture/food processing).

At the same time, it is important to note that at the beginning of this decade, Spain had one of the highest unemployment rates in the EU (exceeded only by Poland and the Slovak Republic). Moreover, Spain's part-time employment rate was one of the lowest in the EU-25 a few years ago and since then part-time employment, in particular among women, has increased sharply.

In addition, Spain's employment structure is characterised by high employment rates in sectors like agriculture, construction and market-orientated services (retail, restaurants and catering) while the number of jobs in industry or social services remains relatively low. This indicates that employment in Spain is still geared towards labour-intensive and low-technology sectors, rather than capital-intensive ones. This structural weakness - which is also connected to the fact that Spain traditionally is a country which attracts foreign investment due to cost advantages - is a cause of major concern at the moment: against the backdrop, too, of a decrease in the flow of direct foreign investment (from 8.2% in terms of GDP before EU enlargement to around 2% currently), a debate has sparked on the need for a more robust economic policy focussing on innovation, global competitiveness and activities generating high added value. In this context it should be noted that Spain only spends 1% of its GDP on R&D; this is half the EU average and even less than many of the smaller new Member States such as Slovenia, Hungary and the Czech Republic.
While Spanish trade unions began campaigning some years ago for a more robust industrial policy orientation, improvement of human resources, developing infrastructures and intensification of R&D activities, the Spanish government has also launched a number of initiatives, i.e. to promote and develop the information society and knowledge-intensive activities.

As an intermediate assembling economy with little own know-how being developed or patented, Spain today is competing with the new Member States, in particular in the automotive industry: more than 71,000 direct jobs and over 2 million indirect jobs (12% of total employment) depend on a sector that represents 6.7% of the GDP (Anfac), 26% of exports and 18% of imports. Given this dependency on a foreign-dominated sector, Spain is very vulnerably to investment and location decisions. This recently became abundantly clear when Volkswagen decided to relocate SEAT production units from Barcelona to Bratislava for quality reasons. This made clear that Spain no longer offers competitive wages and that there will be increasing uncertainty about the renewal of contracts between headquarters and local plants (many of which expire between 2008 and 2012) during a period of lasting overproduction in the automotive industry. If one or two automotive plants were to close in Spain, the direct impact on employment would be very serious.

These risks are illustrated by several prominent examples of restructuring in 2007.

- The restructuring of two major car manufacturers - Renault and SEAT - has now been followed by plant closures among car component suppliers. Overall, the adjustment plans announced in the first four months of 2007 represent a loss of 3% of total employment in the automotive supply industry, which is equivalent to industry-wide job losses during the entire period from 2000 to 2005.
- In February 2007, Delphi Automotive Systems announced the closure of its plant in the province of Cádiz as part of a process of relocation and reorganisation of the group's activities on a global scale. The overall restructuring plan will affect those factories that are considered non-strategic, representing a third of the total by 2008.

- In March 2007, an agreement was announced between SEAT and its supplier, SAS, to terminate the supply contract and award it to another company, involving the loss of 360 jobs. The SAS factory was established over 10 years ago as a result of an outsourcing process by SEAT. The closure represents a significant setback as it affects a workforce that enjoyed better working conditions in terms of both pay and working time than those provided for under the provincial sectoral agreement. The work has been transferred to a company with considerably poorer working conditions. Other car component companies affected by the SEAT's cost-reduction policies are Copo and GDX Automotive.
- In May 2007, GDX announced the closure of its plant in Barcelona with the loss of 740 jobs only five months after the closure of the company's other plant in the province of Tarragona. At that time, the company alleged that closing the Tarragona site was the only way to guarantee the group's presence in Spain. The company claims that the Barcelona closure is due to financial losses and high production costs.

These examples illustrate the weakness of the Spanish low-cost and high-qualification strategy in the manufacturing sector and in IT, shared services and consulting. But this strategy is only relevant in the short term since in a couple of years' time Eastern European consultants and IT professionals will have excellent levels of English, French and German, will be closer to central markets and will have gained experience as their economies advance.

Therefore, in the view of trade unions and many experts the only useful strategy is one focussing on the development of frameworks for innovation, encouragement of increased R&D, and greater private investment in human capital development through better education and training since Spain is no longer able to compete for foreign investment in low-wage/low-skill sectors. Therefore both large trade union federations are calling for a change in the economic growth model to boost Spain's productivity and competitiveness.

GERMANY: FAREWELL TO "RHINELAND CAPITALISM"?

Although German unification resulted in wide-scale de-industrialisation of the Eastern part of the country as well as continuous and ubiquitous restructuring in the Western part too, the industry sector (manufacturing, mining and construction) still plays a stronger role in Germany than in other «old» EU countries with a share of approximately 30% of total employment. In view of this and the importance of industry and manufacturing for the economy as a whole, public debate in Germany is centred not so much around the issue of restructuring but around that of maintaining the *"Standort Deutschland"* concept, i.e. Germany's global competitiveness as an industrial location. In this context, crucial issues are safeguarding the country's strong position in terms of exports and its competitiveness through innovation policy and other measures as well as through cost-cutting. However, regular works council surveys clearly show that from the point of view of representation of employees' interests, restructuring issues are continuously at top of the agenda. A recent works council survey based on a sample of more than 2,000 companies carried out in 2004/2005 reported that in 50% of all companies restructuring measures had taken place since 2003. In 16% of all cases, the works council representatives reported that relocation was a major issue in their company [17].

There are clear indications as to the growing significance of international outsourcing, of which the relocation of production is, among other things, one of the most prominent features. According to a survey conducted by the German Association of Chambers of Industry and Commerce (*Deutscher Industrie- und Handelskammertag*, DIHK), in 2003 24% of companies in the manufacturing sector intended to relocate production facilities in order to cope with the enlargement of markets and increasing international competition. According to the DIHK, the share of companies in the manufacturing sector deciding to relocate to or invest in sites abroad is distinctly higher than in the construction, transport and service sectors. Export-orientated industries such as car manufacturing, chemicals and machine and plant-building industries appear to be most heavily involved.

All in all, the empirical, survey-based evidence as well as anecdotal evidence from prominent multinational corporations that have announced either the relocation or the closure of production sites suggest that the scale of the relocation process is significant in Germany.

According to figures from the German Federal Bank (*Deutsche Bundesbank*), in 2003 almost 4.5 million people were employed at establishments located outside Germany but affiliated to German companies. Relocation decisions have gained the attention of politicians, representatives of employers' associations and unions as well as the general public because they are often expected to result in job losses in Germany.

Processes to relocate research and development (R&D) activities to foreign locations have recently become a prominent feature of the relocation process. More than 15% of companies asked by the DIHK in February 2005 reported that they had already relocated R&D departments or R&D jobs to affiliated sites abroad.

Surveys suggest that labour-intensive industries invest predominately in Central and Eastern Europe. The average number of employees per affiliated firm is higher in countries such as the Czech Republic, Hungary and Poland than it is in Western Europe. Moreover, research results reveal that the larger the firm, the greater the probability of relocation, irrespective of the specific industry. With regard to internationalisation, small companies are more likely to obtain input from foreign suppliers than they are to relocate production to affiliated sites abroad.

Cost-saving is the main reason cited for outsourcing production. However, according to the DIHK survey, the share of firms that relocated production facilities because of high labour costs in Germany fell between 1999 and 2003. Yet, high labour costs remained the most important reason. This is particularly true for companies that are investing in foreign locations for the first time.

Aside from cost savings, market development is cited as being the most important reason for relocation decisions and foreign investment. Surveys reveal that this is particularly true of commitments in China and North America. Moreover, this reason applies in particular to large companies and thus attests to their capacity to establish production sites abroad that are embedded in local clusters of suppliers.

17 - E. Ahlers, F. Öz, A. Ziegler: *Standortverlagerung in Deutschland*, Düsseldorf, Hans-Boeckler-Foundation, 2007, p. 51

However, outward relocation and downsizing of manufacturing sectors in the context of productivity increase is not the only aspect of current restructuring trends in Germany. Other important recent developments resulting in massive job losses and/or significant changes in sectoral employment structures include:

- deregulation and liberalisation of the telecommunications and postal services sector;
- privatisation of public services such as the railway system and parts of the health and care system (hospitals);
- restructuring as an effect of changes in corporate governance and company strategies, in particular the growing influence of shareholder-value orientation and private equity funds for corporate finance and investment decisions.

In 2007, for example, a major industrial conflict occurred in the telecommunications sector in the wake of current restructuring plans at German Telekom:

Deutsche Telekom and internal restructuring: who pays the price?

Established in 1995 following the privatisation of the German Federal Postal Service (Deutsche Bundespost), Deutsche Telekom currently employs some 160,000 workers in Germany (as at 31 December 2006). Since its privatisation, the company – of which about 32% of shares are still controlled by the German state and about 40% of whose workers are employed as civil servants – has been restructured several times. In March 2004, Ver.di and Deutsche Telekom concluded a so-called 'employment pact' representing a framework collective agreement under which the union made concessions (cut in weekly working time with only partial wage compensation) in exchange for limited job guarantees. Despite this agreement, in February 2007 the company's supervisory board agreed, against the votes of worker representatives, to set up three new spin-off organisations under the name of T-Service. The company announced it was to transfer some 50,000 workers, including 20,000 civil servants, from Deutsche Telekom to these service companies and demanded that these workers should accept a 12% wage cut and an extension of the standard weekly working time without any pay compensation. The trade union Ver.di strongly rejected these demands and entered into negotiations with the intention of safeguarding pay and conditions for the workers to be outsourced. (cont.)

In April 2007, negotiations to conclude a new collective agreement failed and a series of short warning strikes followed. In May 2007, 96.5% of Ver.di members at Deutsche Telekom voted in favour of strike action and the first strike in the history of the company took place. After six weeks of strike action and a new round of negotiations (not least because Ver.di considered that it would not legally be able to prevent the company from outsourcing and transferring workers to the three service companies even without any agreement) a new agreement was concluded in June 2007. Under the terms of this agreement, the wage levels of employees being transferred to T-Service will be reduced by 6.5%.[18] Ver.di and Deutsche Telekom also agreed on new pay scales for future T-Service workers. Wage levels will be substantially lower than those currently in place at the company. Since new entrants will receive lower wages than existing staff, this measure will lead to a further reduction in overall pay levels in the long run. Up to 15% of pay will be variable and related to workers' performance. The standard weekly working time at T-Service will be increased by four hours from 34 to 38 hours without any pay compensation. Saturday is to become a regular working day for employees inworkerr service operations. Christmas Day and New Year's Eve will also become regular working days. Positive outcomes were that the parties also agreed that the bulk of the provisions defined in the collective agreements in place at Deutsche Telekom - in particular provisions relating to seniority, wage guarantees in the event of restructuring, company pensions, partial retirement and annual holidays - will be taken over by the new service companies. The company also agreed that the new service companies will not be sold until the end of 2010. Moreover, the company will also refrain from introducing compulsory redundancies until the end of 2012. Any reduction in employment shall be based on mutual consent. Workers remaining at Deutsche Telekom will face a pay freeze in 2008 in exchange for protection from compulsory redundancies up until the end of 2009.

18 - For more details on the agreement see *Agreement ends dispute over employee relocation at Deutsche Telekom*, EIRO Online, 13 August 2007

DENMARK AND FINLAND: RESTRUCTURING AND EMPLOYMENT SECURITY

Restructuring in Denmark and Finland is closely connected to globalisation and its effects on domestic industrial structures. Against the backdrop of comparatively high wages and social security systems both countries also have developed quite successful strategies for dealing with the challenges of globalisation and modernising the economic structure while maintaining a high standard in terms of wages and social security. Although both countries have adopted different forms of dealing with the challenges of globalisation and corporate restructuring, a common feature is the active involvement of trade unions and the search for jointly agreed solutions. Another key feature in both countries is the idea of "worker-driven innovation."

Denmark: Globalisation and employment security

Relocation, especially outward relocation, is a significant trend within the framework of economic globalisation in Denmark and is a prominent topic in public debate. This is also illustrated by the fact that the Danish government has set up a Globalisation Council to adopt a more proactive approach in dealing with the challenges of globalisation, relocation and the modernisation of economic and social systems. The aim of the council, which is also actively supported by Danish trade unions, is to analyse and discuss the position of Denmark in a global economy. One of the key issues is education at all levels. The council comprises top men and women from the government, the national bank, large companies and workers' and employers' confederations and organisations. By summer 2005, the council had held five meetings on the basis of which, in 2006, the government published a report summarising various pillars of a national strategy to tackle the challenges posed by globalisation [19].

Outward relocation has increased during the last five years and is expected by experts and social partners alike to increase further. Surveys conducted by the Ministry of Finance and the Confederation of Danish Industry give quite different answers - 12% and 46% respectively - as regards the percentage of Danish companies relocating production to low-wage countries. The difference is mainly due to variations in the population of the respective surveys. However, according to the latest figures from Statistics Denmark, 24% of Danish companies in the manufacturing sector and 8% of those in the service sector have relocated (i.e. offshore outsourced) part of their production to low-wage countries during the last three years. In total, 11 % of Danish companies had outsourced parts of their production to low-wage countries during the last three years. Only 1.8% of the companies have relocated a minimum of 40% of production to low-wage countries. This number is expected to increase to 7.5% over the next three years (Statistics Denmark). Outward relocation is mainly to Eastern Europe, particularly Poland and the Baltic region, and China. A significant proportion of activities are also relocated to the 'old' EU-15 countries, mainly Germany. The following examples - Danish Crown and TULIP - illustrate this.

Social Schemes cushioning the effects of relocation and closure

Two prominent examples of production facilities being relocated to Germany on account of costs and the closure of facilities in Denmark are the meat processing company, TULIP, and the closure of its plant in Ringsted and the closure of two slaughterhouses owned by Danish Crown in Northern Jutland. Both these cases date from 2005. The decision by TULIP to dismiss 160 workers and relocate production to a subsidiary in Oldenburg in Northern Germany was made after the management unsuccessfully tried to negotiate a significant cut in wages with the local trade unions in 2004. The Danish Crown case also included the relocation of production to Germany (although also to another new factory in Jutland) for cost reasons. Danish Crown is a cooperative society owned by the farmers that supply the company with livestock; it is currently the largest producer of pork in Europe, employing a global workforce of approximately 28,000 of which around 50% still work in Denmark. Most of the company's production is exported to other EU countries, the USA and Japan. The restructuring in 2005 which led to the closure of the two slaughterhouses resulted in the dismissal of 450 workers and was driven primarily by a desire to reduce production costs to ensure international competitiveness.

19 - *Progress, Innovation and Cohesion. Strategy for Denmark in the Global Economy - Summary, Danish Government, May 2006*

(cont.)
Although it was impossible to avoid a reduction in the workforce from the point of view of employee representations and trade unions, both cases also illustrate how labour market measures and other instruments to prevent the dismissed workers becoming unemployed function. In both cases, social schemes came into force whereby so-called 'job banks' were set up and dismissed workers were offered special training courses and other support to find new jobs. As an analysis of the Danish Crown case outlined [20], the social scheme was very successful: in 2007, all workers who had been made redundant had found new jobs. What's more, the local unemployment rate was significantly reduced by a combination of active labour-market policy and favourable economic development.

Finland: Challenges in the context of restructuring and globalisation

Finland has developed its own approach to dealing with the challenges posed by restructuring and globalisation, although these are also based on significant involvement of social partners and organisations representing employees' interests.

Some 15 years ago, the country experienced a major economic crisis when Finnish GDP fell by 12% between 1991 and 1993 and the unemployment rate rose to more than 17% in 1993. Against this backdrop, the Finnish government - with the active involvement of social partners - launched a modernisation programme focussing on the restructuring of the country's two major industrial sectors: forestry and the electronics and electrical industry. Both sectors contribute substantially to economic output, with each accounting for approximately 5% of Finland's GDP, around 20% of its industrial production and 25% of its exports.[21]

Restructuring processes in the Finnish forestry industry

Since the 1980s, Finnish companies operating in the forestry sector have been facing increasing competition, which has resulted in major restructuring operations to maintain competitiveness. The first phase of this restructuring was characterised by the merger of business players and the emergence of three big firms. At the same time, companies reorganised value chains on a global scale and adopted growth strategies based on foreign acquisitions and new investments abroad including the development of new raw supplier sources (Russia). Restructuring also included technological developments geared towards high-tech production (however this was only possible for large firms) and a stricter customer-oriented approach. Modernisation of the forestry sector was accompanied by a joint working group on globalisation, representing employers and workers in the Finnish paper industry; this was set up in December 2005. The working group is chaired by a representative of the Ministry of Finance and based on a collective agreement calling for dialogue on globalisation.

While the first phase of restructuring was relatively successfully in avoiding massive closure of capacity and mass redundancies in domestic companies (workforce reductions had been quite gradual but mergers and reorganisation processes naturally resulted in dismissals), the sector still faces further restructuring. In March 2006, Finland's largest forestry company, UPM, announced plans to reduce its global workforce by some 3,600 jobs of which up to 3,000 may be lost in Finland alone. The management has stated that the job cuts are due to overproduction of paper and the need to remain competitive in a changed business environment. This announcement was followed by the start of negotiations with the Paper Workers' Union to cushion social effects. The Finnish government has also devised a special employment programme for employees in the forestry sector under threat of dismissal and active support measures for people and local communities affected by large-scale redundancies.

Restructuring in the ICT sector

The Finnish electronics sector and, in particular, the ICT sector have also experienced major restructuring during the past decade - a process which has totally changed the profile and structure of a sector largely dominated by the global giant Nokia. The sector experienced a high level of growth during the 1990s based in part on an effective industrial, technological and education policy by the Finnish government (strategy of building up the information society, emphasis on innovation, R&D, high-level education policy, active involvement of trade unions and income security). However, the global downturn of the 'New Economy' at the beginning of the last decade also resulted in crisis for the sector with a sharp decline in export and producer prices, rapid productivity growth and increased global competition. This led to a new wave of globalisation: between 2001 and 2005, Nokia's largest subcontractors in Finland significantly reduced their domestic workforces while at the same time doubling their global personnel and relocated production to low-cost countries.

Although many uncertainties remain as regards the further course of restructuring in the Finnish forestry and electronics industries [22], Finland has been quite successful in managing to transform itself within a relatively short period of time from a resource-intensive economy to a knowledge-based one. This transformation has been accompanied by both active globalisation strategies by Finnish companies with global sourcing and supplier chains abroad and a focus on knowledge-intensive activities on the domestic labour market. Although it is impossible to say how many of the jobs generated abroad through the relocation of production capacity actually replaced Finnish ones, it is quite clear that a significant proportion of labour-intensive production has been lost in the process but that, at the same time, the demand for skilled manufacturing workers may have increased. A survey of Finnish companies' activities abroad showed that Finnish manufacturing companies' employment of R&D personnel in Finland doubled between 1997 and 2002.

The study on industrial restructuring in Finland [23] also outlined the important role of politics and industrial relations:

- managing restructuring and industrial change is based on a wide social consensus focussing on development of the information society and export-growth-oriented economic policy;
- education and innovation policy plays a crucial role focussing on high levels of investment in education and R&D as well as equal access to education;
- Finnish modernisation policy is based on a highly developed system of industrial relations, active involvement of trade unions and high standards of income security and employment services.

20 - Preben Foldberg, LO Denmark: *The Closure of Danish Crown plant in the town of Hjørring in Northern Jutland in January 2005*, ETUC Conference on Restructuring, Lisbon 10-11 September 2007.
21 - The information presented here is taken from a report by J. Nätti (University of Tampere) and T. Anttilla (University of Jyväskylä) on T*he Modernisation of the Industrial Structure in Finland* which was presented at a workshop organised by ETUF-TCL on restructuring in 2007.
22 - For example, the merger of Nokia's Network Business with the Siemens AG COM division is likely to lead to significant job losses in Finland. See the report in EIROnline 26 Jun 2007: *Nokia Siemens Networks to cut over 1,500 jobs*, www.europfound.europa.eu/eiro/2007/05/articles/fi0705039i.htm.
23 - See footnote above.

POLAND, HUNGARY, CZECH REPUBLIC: DIFFERENT STARTING POINTS AND CONVERGENCE TRENDS

To some degree, restructuring in the new Member States (in this context Poland, the Czech Republic and Hungary) differs fundamentally from restructuring patterns, contexts and trends in the countries of the 'old' Europe. This is true both of actual forms of restructuring, processes and effects on the economy, individual sectors and at company level but also to the perception of restructuring by governments, employers and trade union organisations. These differences are due mainly to the totally different background of the Central and Eastern European countries and the rapid transformation process these countries experienced both prior to and in the wake of EU accession. EU membership itself has also resulted in further restructuring and adjustment processes in the economic and social fabric of the new Member States.

The nature of restructuring processes in the new Member States is set out in the country reports compiled in the context of the European Joint Social Partners project on restructuring in the new Member States conducted in 2005/2006 [24]. According to these studies, the following typology might best characterise the nature of restructuring in Poland and other new Member States:

- macroeconomic restructuring in the context of privatisation;
- restructuring as a consequence of EU membership;
- restructuring in the context of foreign direct investment;
- aspects of convergence: increased global competition and relocation;
- challenges in the field of training and skills development.

Macroeconomic restructuring in the context of privatisation

The transformation from centrally planned and state-run economies to capitalist, free market economies is, of course, the main feature of the new Member States in the context of restructuring. The privatisation process has resulted not only in macroeconomic change but also in major restructuring processes for entire industry and service sectors.

Large-scale privatisation of industries has also resulted in major shifts in the employment structure. The share of employment in agriculture and industry has declined continuously throughout the transformation process: in the Czech Republic, for example, the proportion of employment in industry has fallen from nearly 40% at the turn of the century to 31% at the end of the 1990s and in agriculture from 12% to only 3%. At the same time, sectors such as retail and business services increased their shares in employment. The latter trend in particular has continued during the last five years while the decline in manufacturing employment has either been halted (Czech Republic) or slowed (Hungary).

It should also be mentioned here that after more than 15 years of privatisation and transformation the process still is not complete. Most of the new Member States in Central and Eastern Europe face major macroeconomic challenges in the context of privatisation as some examples from Poland, the Czech Republic and Hungary illustrate.

- Although by the end of 2005 successive governments in Poland had completed the privatisation of more than 8,000 state-owned companies, around 1,800 (almost 30% of economic activity) still remained under public ownership. While privatisation is almost completed in sectors such as consumer goods production and services, there are large industrial sectors were privatisation has barely begun and which are very sensitive in political terms: these include shipbuilding, mining, energy and transport/railways.
- Also in the Czech Republic and Hungary, privatisation is still on the agenda in the public utilities and transport sectors. However, in both countries large industrial sectors were privatised at an earlier stage in the transformation process and the privatisation of most state assets was almost complete by the end of the 1990s. One prominent example of sectoral restructuring resulting in massive redundancies is, of course, the mining sector.
- In the Czech Republic, for example it is estimated that restructuring of the mining industry, which began in the nineties, has resulted in the loss of more than 50,000 jobs, mainly in the Ostrava and Karvina region, which today have one of the highest unemployment rates in the country. And further restructuring programmes are planned for the mining industry: in 2006, for example, the mining company OKD announced plans to close the Dukla mine in Havířov by January 2007 with the loss of 1,600 jobs.

A major challenge for the near future and surely a source of massive layoffs and dismissals will be the restructuring of the public sector, in particular in labour-intensive fields such as public administration at central and local level, postal services, railways, healthcare, education and so on.

Hungary, for example, has more than 800,000 public sector employees (21% of the total workforce) who are now the target of significant restructuring operations by the Hungarian government (see box).

Privatisation and large-scale shifts from industry, public services and other traditional fields of employment towards a modern service economy has caused massive problems in terms of employment policy (see chapter below) and has posed challenges for the governments in the new Member States.

Hungary: The scale of public sector restructuring

In mid-2006, the MSZP-SZDSZ coalition government launched a wide-ranging project to restructure the entire public administration system. All ministries are affected by the reorganisation. One third of the 7,300-7,500 strong ministry workforce and related institutions is expected to be laid off in the next two years (on average 200-220 workers per ministry). The most affected jobs are those in support activities such as IT, finance, accounting and human resources, which will be concentrated into a new support services centre where a much smaller workforce will perform these tasks at a much lower cost. Apart from dismissals, major restructuring and merging of public institutions, companies and foundations is expected. The number of state budget institutions, for instance, will be reduced from 823 to 598 and only 249 will remain run by the state and financed via the state budget. As many as 12,500 jobs will be cut in the public sector as a result of the restructuring and merging of institutions. In total, the government expects to save HUF 50 billion as a result of the restructuring. By the end of September 2006, 1,767 public employees were registered at the Budapest Employment Office as having been laid off, while 1,400 employees were laid off from public administration institutions in provincial areas. Those dismissed include tax advisors, teachers, economists, agricultural engineers and car mechanics. So far, only a few of those laid off have filed a request for redeployment support at employment offices or private employment agencies. Meanwhile the planned restructuring of public administration is under way and by the end of January 2007 as many as 3,000 public employees will have been dismissed. One particular problem is that of redeploying workers who have been laid off: the director of an employment agency claimed that the skills and experience of civil servants are not up to labour-market demands and as such it is difficult for them to find new jobs.

Restructuring as a consequence of EU membership

The new Member States also face major challenges in modernising their business sectors and industries in the context of EU membership and increasing global competition. In this context, EU accession as well as privatisation has resulted in a new type or stage of restructuring triggered by two main factors: firstly, that of building up a competitive enterprise sector and secondly that of complying with EU standards and regulations. Both are resulting in restructuring operations at corporate level and within industries. Restructuring to make a company or sector more competitive in most cases also results in redundancies and dismissals. In the case of Poland, a report on restructuring points to the results of a survey which showed that in 1998 only 29% of all companies had optimum staffing levels and that over two thirds of those believed that their company was overstaffed.[25]

Restructuring operations designed to reduce costs and increase competitiveness have resulted in large-scale restructuring programmes as well as 'silent restructuring' in the SME sector. Prominent examples of such large-scale programmes are the several waves of modernisation programmes in the Polish and Czech steel sectors and the example of Mittal Steel. After already suffering thousands of redundancies in the context of privatisation, steel factories in Poland and the Czech Republic are today experiencing another wave of restructuring designed to cope with global competition and productivity levels.

- Shortly after privatisation, Mittal Steel, the largest steel producer in Poland with major steelworks in Krakow, Dřbrowa Górnicza, Sosnowiec and řwiřtochłowice went through a massive restructuring programme in 2004 and 2005 and some 10,000 employees out of the remaining 28,000 lost their jobs. Under the privatisation agreement in 2002 between the Polish government and the European Commission further reductions had to be made in 2006 and 2007: the company must reduce the number of workers at the steelworks from 12,800 to around 10,000. The company also employs around 7,500 people in other subsidiaries.
- In the Czech Republic, too, further restructuring took place in 2006 and 2007 at Mittal Steel Ostrava (formerly Ispat Nová Hut), the country's largest steelworks. At the beginning of 2006, the management announced that 600-700 employees out of a total workforce of 8,900 would be dismissed by the end of 2006. In Summer 2006 the number of redundancies was increased to 1,000 by the end of September 2006. Then, in September 2006, the company announced a further massive redundancy plan to cut an additional 2,500 jobs within the next three years. The reasons given for the restructuring were a decline in profits due to falling demand and the capacity restriction on rolling mills by 2007 imposed by the EU.

24 - *See Poland - Country Dossier,* Joint Project of the European Social Partner Organisation: *Study on Restructuring in New Member States,* 2005

25 - *Poland - Country Dossier,* Joint Project of the European Social Partner Organisation: *Study on Restructuring in New Member States, 2005*

In other sectors, too, major restructuring programmes have been implemented to comply with EU regulations and prepare certain sectors for competition and market conditions.

- In 2006, Telekomunikacja Polska, the national telecommunications operator, signed agreements with trade unions providing for voluntary redundancies of up to 5,700 employees over the coming three years. In 2996, Telekomunikacja Polska employed 27,400 people. The redundancies are motivated by the need to reduce the cost of telecommunications services in order to be able to compete with new market entrants.
- Cesky Telecom a.s., the largest provider of telecommunication services in the Czech Republic and one of Central Europe's most prominent telecommunications companies, has been undergoing major restructuring since the end of 2003. In 2004, the company cut 2,100 jobs and is planning to phase out a further 1,800 jobs (8,800 to 7,000) by the end of 2005. Mainly low-skilled workers will be affected.
- In 2005, the Czech Power Company, CEZ, one of the ten largest European energy utilities and the most robust business entity on the Czech electricity market launched a major restructuring programme to comply with European legislation. This is causing significant job losses: while 1,500 job cuts were announced (out of a total workforce of 14,000) in September 2005, this figure has now risen to 1,600 to be achieved by 2008.

While redundancies in the context of 'forced restructuring (as a Polish trade union representative put it) in large companies and sectors where social dialogue is widely used are accompanied by generous severance agreements (in particular redundancy payments and retraining measures), the situation in small and medium sized companies and micro-companies in particular is totally different. Here, there is no mechanism for representing workers' collective interests and no social cushioning measures for redundancies in the context of closures, downsizing or modernisation programmes. As a report on restructuring processes in Hungary summarised, EU accession has had a particularly negative effect on the undercapitalised small business sector in Hungary: this sector is not able to compete with new market entrants, is not able to make the investment required to comply to EU health and safety obligations and lacks international competition and thus the ability to engage successfully on export markets.[26] The authors of the study state:

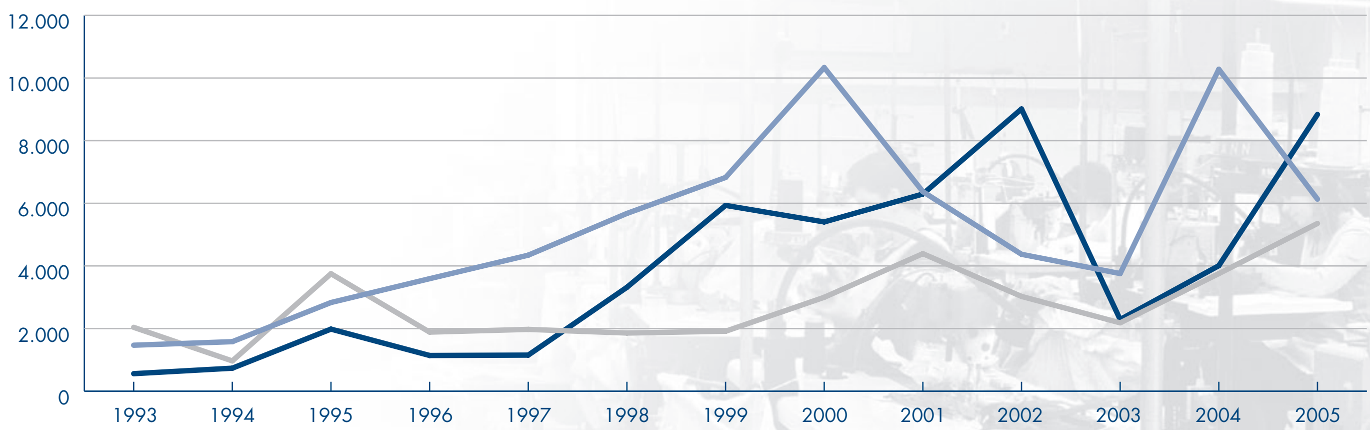
> "The most endangered restructuring candidates in Hungary, in addition to the 800,000 state and municipal workers, according to some social partners, are those nearly 800,000 owners of small firms and sole proprietors, who employ themselves and their family members. These small firms cannot meet EU health and safety standards, they are undercapitalised, are not able to compete with imports from Asia or the rest of the EU, and are in danger of facing bankruptcy en masse in 2005 and 2006." (*Hungary - Country Dossier,* Joint Project of the European Social Partner Organisation: *Study on Restructuring in New Member States,* 2005)

Restructuring in the context of foreign direct investment

Foreign direct investment plays a major role in the transformation process of the new Member States as well as in restructuring at the level of companies and industry sectors.

All three countries have been very successful in attracting FDI during the last decade or so as the following table shows. FDI stocks as a percentage of GDP in 2002 ranged between around 20% in Poland, nearly 40% in Hungary and more than 65% in the Czech Republic. The following chart shows the development of FDI inflows.

Inflow of foreign direct investment in the Czech Republic, Hungary and Poland 1993-2005 (€ millions)



Source: Béla Galgoczi: Presentation on Restructuring and relocation - challenges for the European trade unions at the ETUC restructuring workshop, 16-17 February 2007

While FDI has, of course, supported and triggered the transformation process, there are also other aspects to consider. FDI not only results in gains (employment, investment, know-how) but also incurs costs which are sometimes lost for ever, as evidenced by several cases during recent years.

All three countries offer incentives for foreign investors. In Poland, direct support for investment is available via the Sectoral Operational Programme (SOP) Increase of Enterprises' Competitiveness Measure and co-funded by the European Regional Development Fund (ERDF) and Polish state funds. Investors may obtain investment grants covering up to 25% of the eligible costs or employment grants of up to €4,000 for each job created. The total support available for 2005 was €90 million. At local level, too, there are incentives including property tax exemptions and the provision of infrastructure. There are separate programmes for SMEs, R&D and environmental protection. Support is also available for the provision of human resources: entrepreneurs may obtain support from local authorities for hiring and training the unemployed. The major forms of assistance are reimbursement of the costs of creating new jobs, social security contributions, training programmes and financing of internships for unemployed graduates.

In the Czech Republic, too, considerable foreign investment has been attracted by the relatively generous investment incentives awarded to investors meeting certain requirements. Investors, for example, can apply for 'tax holidays' of up to 10 years, financial support for creation of new jobs, job training for new employees and provision of low-cost land and infrastructure.

As such, in the other new Member States the process of restructuring and developing a competitive business environment via foreign-owned companies has been much faster and more widespread than via home-grown companies. As a report on restructuring in the Czech Republic outlined:

> "Companies under foreign control generally benefit from favourable financing conditions and work under better corporate governance, they tend to be more competitive on world markets. This has strengthened the financial performance of the corporate sector as a whole. However, a number of domestic owned firms have remained highly indebted and unprofitable." (*Czech Republic - Country Dossier,* Joint Project of the European Social Partner Organisation: *Study on Restructuring in New Member States,* 2005)

Aspects of convergence: heightened global competition and relocation

Although there exist many special framework conditions and characteristics unique to restructuring in the new Member States, trends have also emerged in terms of convergence and patterns of restructuring are becoming increasingly similar. In the context of the workshops on trade union experience in the field of restructuring organised by the ETUC during 2006 and 2007, many participants not only reported an increasing number of restructuring programmes in the context of cost reductions and boosting the effectiveness of domestic companies and sectors but also a growing trend towards relocation and offshore outsourcing, in particular in foreign-owned companies.

One particularly controversial case was that of Flextronics in the Czech Republic. The multinational electronics manufacturer initially pledged to create 3,000 jobs in the country and received a lot of financial incentives and other support measures before subsequently withdrawing from the country very quickly.

Although this might be an extreme case, trade unions and workers' representatives in the new Member States are increasingly reporting instances where employers threaten to relocate production (either in whole or in part) citing personnel costs or better framework conditions. This is evidenced by the following example of the German car supplier and cable manufacturer, Leoni, in Hungary.

- In April 2007, Flextronics announced its decision to dismiss 330 employees at its unit, Eger, in northern Hungary producing cable harnesses for the automotive industry. Most of the employees to be laid off are blue-collar workers. The reason cited by the unit's director for the mass redundancies was a decline in prices on the supplier market in the automotive industry and the fact that production costs in Hungary could not sustain profitability. From now on, only small-scale production of cables will continue at the Eger unit while large-scale production will be moved to Tunisia.

Manufacturing companies in the new EU Member States today face increasing competition from Asia and other low-cost countries. According to many experts and commentators from the Central and Easter European countries, sectors characterised by strong global competition such as textiles and leather, footwear, paper, consumer electronics and others will disappear or at least shrink in the coming years.

The same report on Hungary gives an overview of those manufacturing sectors in Hungary that are in decline and likely to face heightened competition and restructuring in the near future.

26 - *Hungary - Country Dossier,* Joint Project of the European Social Partner Organisation: *Study on Restructuring in New Member States,* 2005

Sectors within which the likelihood of restructuring is high in Hungary

Sector	Reasons for restructuring
Textiles	Production moving East to lower wage countries (Ukraine, Romania, China)
Footwear	Production moving East to lower wage countries (Ukraine, Romania, China)
Clothing	Production moving East to lower wage countries (Ukraine, Romania, China)
Print and publishing	Slovakia and other neighbours have price advantages
Food processing	Scale economies, multinational processors consolidate on European basis
Paper	Finland, Russia, Ukraine more competitive
Public sector	Railroad, post office, health care, education etc. system under funded and subject to structural reform
Some high tech manufacturing	Global firms relocate production based upon global strategies unrelated to Hungary

Source: Hungary– Country Dossier, Joint Project of the European Social Partner Organisation: Study on Restructuring in New Member States, 2005, p. 16

Challenges in the field of training and skills development

The accelerated and much more complex restructuring process in the new Member States, which is not only affecting individual companies but whole sectors of the economy, poses significant challenges and huge tasks for labour market policy, skills development, vocational training and the adjustment of qualification profiles. As trade unions and other experts in the new Member States regularly point out, there is a clear mismatch between job skills and available human resources and between qualifications and market demands. While there is a shortage of skilled workers in certain parts of economies in Central and Eastern Europe, there are at the same time many unemployed individuals and workers who have been laid off from formerly public sectors, agriculture or the small business sector who do not have the right qualification profiles or do not meet employers' requirements (age discrimination is also a problem in the new Member States). This view on challenges in the context of restructuring is shared by trade union representatives and employers alike and seems to be a major issue in all the new Member States at the moment.

In Poland, for example, both employers and trade union federations maintain that the existing system of vocational education and qualifications is not geared towards the labour market. Therefore one of the major challenges for the education system is to raise the quality of both general and vocational education.

Another challenge for the new Member States in the context of restructuring is that of the broad shift from manufacturing to service employment. This throws up key considerations in the context not only of employment policy but also in the field of education and training.

Finally, and in the context of the need to boost competitiveness and improve the entrepreneurial environment for innovation and businesses generating high added value, it is clear workers' qualifications and management skills are critical factors for success.

NATIONAL FRAMEWORKS FOR WORKER INVOLVEMENT IN RESTRUCTURING AND EXPERIENCE OF GOOD PRACTICE

UNITED KINGDOM

Worker involvement

British trade unions have frequently said that companies do not give enough prior warning of pending restructuring decisions and consequent collective redundancies. As in the case of MG Rover and in many other examples, controversy has also surrounded the manner in which some announcements have been made, with the workforce affected learning of the decision indirectly from the media before hearing from the company direct. Whether or not these shortcomings in information and consultation practice might be improved by the new Information and Consultation of Employees Regulation, which came into effect in the UK in April 2005 is not clear since the regulation will be applied in several stages.[27]

In the UK, employers are not required to give any economic justification for making redundancies, however, they must show that their requirements as an employer have changed or diminished. Where the number of redundancies is 20 or more, workers' representatives must first be informed of the employer's proposed redundancies and the law states that sufficient information should be provided to enable workforce representatives to engage constructively in meaningful consultation (whatever that may mean in practical terms). Information and consultation procedures must be conducted via a trade union representative where a union is recognised for collective bargaining (27% of all workplaces with 10 or more employees according to the 2004 Workplace Employment Relations Survey). If the workforce is not represented by a trade union, the employer must inform and consult other appropriate employee representatives. Unlike in other countries (for instance Germany and France) there is no requirement to produce a social plan.

Confronted with this rather weak institutional framework of employee participation, British trade unions have started to campaign at various levels in a bid both to cushion the social effects of restructuring and improve the framework to ensure more proactive and innovative management of change in the British economy. A clear focus in this context has also been the campaign against further deindustrialisation and for a modern industrial policy in the UK.

For several years now, trade unions in the manufacturing sector such as Amicus and the TGWU (which now have merged to form Unite), for example, have expressed their concern at relocation of parts and components manufacture and sub-assembly to Asia and have repeatedly called for UK laws on consultation in the face of major restructuring, including relocation, to be tightened in line with standards in force in several other Western European countries, thereby closing off the possibility of an easy exit from the UK by companies considering relocation. The two unions, together with the GMB, have also called for government measures to breathe new life into the UK's manufacturing sector under their Fight Back for Manufacturing campaign launched in Spring 2004 and the TGWU's Manufacturing Matters campaign. The TUC also frequently calls for a change in industrial policy orientation in the UK, focussing more on a clear industrial strategy which should also include support measures in line with other European governments.[28]

UK unions provide practical support to members during restructuring programmes. Trade unions are actively involved in initiatives designed to cushion the social and regional effects of restructuring, as evidenced by the MG Rover case and task force experience.[29]

Good practice: Union Learning Representatives

Even when good programmes of further training and skills development exist, it appears that people who are not used to academic study are reluctant to commit themselves to any kind of training or process certifying their experience in the field. The Union Learning Representatives (ULR) initiative developed by trade union organisations in the UK is addressing this issue in a unique way. The ULR approach is based on the trade unions' access to large numbers of low-skilled workers who have little experience of the education system. Organised on a regional and branch basis, the ULR system relies on financial support from the government and enables the unions to appoint «representatives in charge of training» in the workplace itself. Their role is to analyse training needs, promote and supply the information the workforce requires, organise training courses and engage in dialogue with employers to implement these activities. Unions have funds through which they can train ULRs to do their job. ULRs perform their tasks during normal working hours to that employees can contact them while they are at work. ULRs are therefore a link between workforce, employer and training agency. The close relationship between union representatives and workers, just like that between union representatives and training agencies, enables them to advise the least-qualified members of the workforce on the course(s) best suited to them.

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27 - From 6 April 2005 the regulation applied to companies with at least 150 employees, from 6 April 2007 to companies with at least 100 employees and from 6 April 2008 for companies with at least 50 employees. See the *TUC Guide on the Information and Consultation of Employees Regulation 2004*, TUC, March 2005

28 - See: TUC Economic and Social Affairs Department: *An Industrial Strategy for the United Kingdom*. A TUC Discussion Paper, TUC, 19 December 2005

29 - See the presentation of Roger McKenzie, TUC West Midlands on the MG Rover case in the documentation of the ETUC restructuring conference in Lisbon.

FRANCE

Worker involvement

In sharp contrast to the UK, France has developed an impressive range of instruments at both company and collective-bargaining level to deal with restructuring situations and to manage employment and the social effects of dismissals. It is also worth noting that France is one of very few European countries where statistics on the number of restructuring operations are quite readily available since all job-saving plans must be officially registered with the labour authorities.

French employers are obliged to inform and consult with workers' representatives if they are planning on making collective redundancies (defined as the dismissal of 9 or more employees worker period of 30 days) and, if the company employs at least 50 workers, to draw up a plan detailing how the redundancies will be carried out and what measures will be taken to mitigate the effects. Employers must give workers' representatives an opportunity to formulate a response to restructuring and employment-reduction plans and consider any suggestions made by employees' representatives. However, employees' representatives have no power to veto any decision taken by the employer. To put together an informed opinion, the works council has the right to access detailed information on the company's situation. It also has the right to call in an external accountant to be paid by the employer. This consultation and information period is deemed as giving the works council the opportunity to assess the economic and social elements justifying (or not) the restructuring project. However, although management must inform the workers' representatives and take note of the employees' opinion, this worker is purely consultative and may not ultimately have any direct influence at all on management decisions. The employer is perfectly entitled to follow through its initial plans, even if alternative solutions have been put forward by the works council.

The job-saving plan must contain all measures put forward by the employer to avoid or limit planned redundancies and help those who will be made redundant. This means that before the employer can make any employees redundant as part of a restructuring exercise, various measures may be taken including internal re-deployment of employees to equivalent positions (or lower-level positions if the worker agrees), setting up new business operations, measures designed to help employees secure employment outside the company with the support of wider measures designed to increase employment in the region, helping employees to set up their own businesses, providing training, formal validation of work experience or retraining to help workers find work, either within or outside the company, reducing or reorganising working time and reducing overtime. Other measures include helping workes to move to a different region to find work, voluntary severance packages and targeted training measures. The job-saving plan must also contain an implementation strategy to limit the number of redundancies (e.g. through internal changes or working-time-reduction arrangements) and to improve redundant workers' job prospects or training opportunities. The latter part is known as the 'requalification' (*reclassement*) plan.

After a series of high profile and controversial cases of corporate restructuring at the beginning of this century, the French government reformed some aspects of the system. Legislation dating from 3 January 2003 allows for agreements to be concluded at company level (in companies with 50 or more workes) on the procedures to be followed in a redundancy situation (*accords de méthode*). These agreements may deviate from the information and consultation provisions contained in the Labour Code. It is hoped that such company-level agreements will clarify and simplify the procedures surrounding redundancy, which are often criticised as being too complex and open to legal challenges. As such, they may cover issues such as the number of meetings of the works council, the time between meetings, the relationship between the works councils at different levels, alternative suggestions that the works council may propose, the way in which the employer must respond to these proposals and the use of external experts. These agreements may also cover the drawing up of a job-saving plan.

A new tool, introduced into French Law in 2005 and which takes a more robust anticipatory approach, is the GPEC scheme. Alongside the «accords de méthode» scheme detailed above, which gives workers' representatives fresh opportunities to prevent restructuring and sign agreements with the management in good time, another scheme was implemented in 2005. This second element of the so-called Law on Social Cohesion introduced a chapter called Employment and Skills Management: Anticipating the Consequences of Economic Mutations (Gestion de l'emploi et des compétences. Prévention des conséquences des mutations économiques) or GPEC into the Labour Code. Together with the accords de méthode scheme, it represents the desire on the part of the legislature to encourage early anticipation. Companies with more than 300 workers (and those obliged to have a European Works Council and with at least 150 workers in France) must engage in negotiations every three years about (a minima) how information is made available to the Works Council and consultation with the latter with respect to company strategy and its foreseeable effects on employment and wages. Negotiations must also include discussion of the implementation of an HR management device for discussion of changes in employment and skills within the company - a kind of tool to anticipate employment requirements. Using such schemes should ensure that vocational training, individual guidance, personal assessment and so forth are considered more effectively.

Good practice in managing skills development at the corporate level in France

A good example in terms both of responsible restructuring and good practice in skills development is the three–year agreement signed by Air France and five trade unions in 2006 on anticipating changes in ground staff. In the context of rapid changes in air transport (new technologies, competition with low-cost companies, rise in the price of oil, etc.), and following its merger with KLM, Air France has adopted a new approach based on anticipating change in cooperation with the French National Agency for the Improvement of Working Conditions (ANACT) [30]. The goal is to use foreseeable changes in various occupations to manage people and their skills. Internal mobility is encouraged and several training measures are on offer. The agreement stipulates that «the internal labour market should be more fluid». In practical terms, this means a) helping workers determine their own career path through interviews, individual skills assessments and entitlement to training, helping him/her to apply for a different position within the company, making it easier to improve the skills base and encouraging mobility - for instance from ground staff to commercial positions - (which implies the implementation of mobility and integration agreements, etc.), giving the worker support when he/she starts a new job and so forth.

The role of the existing Occupations Observatory (set up in 1997) has been shored up. One of its tasks is to compile an 'inventory' of different occupations within the company, set out foreseeable changes in these occupations from both a quantitative and a qualitative point of view and take into account various technical, organisational and regulatory projects that might have an impact on the number and nature of jobs. It is also responsible for maintaining a database to chart new positions that may develop in the coming years (be it through the arrival of new workers or internal mobility on the part of present workers), job areas in which bottlenecks may develop (e.g. because of a shortage of labour or the long period of training required, etc.).

Other important aspects of the agreement pertain to the definition of adapted paths during what the agreement terms as the «second stage of one's working life» through, for instance, negotiated part-time work.

Finally, as required by the law, the agreement sets out the way(s) in which workers' representatives should be kept regularly informed about the company's strategy for each of its existing functions.

30 - Cf. ANACT, Travail & Changement, No. 311, novembre-décembre 2006, Special issue: Anticipating and accompanying the mutations of companies and territories

SPAIN

Employers are obliged by law to put forward measures to cushion the social effects of restructuring. In reality, the most widely-used is that of offering early retirement. The trade union confederation UGT estimates that employees taking early retirement receive on average between 35% and 50% of their former salary, whereas those taking retirement at normal retirement age receive on average 60% of their former salary. Voluntary departure as a means of cushioning redundancy is extremely widespread. In addition, in many cases of restructuring, employers will look in detail at the specific situations of individual workers affected and then offer a range of tailored measures such as redeployment. In Spain, as in Germany and Italy, the scenario of the workforce of a company in difficulty agreeing to take a collective pay cut to save jobs is becoming increasingly common. One prominent example was the case of a plant belonging to the US automotive supplier Delphi in Cádiz where, against the backdrop of economic crisis, management, trade unions and the regional authorities negotiated a location and job security agreement in the early 2000s to implement a socially responsible restructuring plan. However, this was not enough to prevent the announcement by Delphi's management that it would be closing down the plant in April 2007.

Against the backdrop of heightened global competition and the shortcomings of an economic policy model based primarily on attracting foreign investment via cost competition, trade unions in Spain have started to argue for an alternative development model based much more on seeking out innovation and knowledge-based economic activities.

To modify the current pattern of growth and to solve the two main problems facing the Spanish economy - namely its low level of productivity and its trade deficit - trade union leaders have called for increased spending on research and development (R&D) and education. Trade unions also argue that companies are not investing enough in R&D because the benefits of such investment are only reaped in the long term and companies prefer the rapid returns offered by «bricks and mortar», that is, more tangible and concrete projects.

Employee involvement

Although there is no clear definition under Spanish labour law of what constitutes restructuring, companies will only secure permission from the relevant labour authorities to go ahead with collective redundancies if they have adhered to legislative provisions governing workers' rights in such cases.

Under Spanish law, which implements EU Directives governing the rights of the workforce to information and consultation in the event of restructuring involving collective redundancies, after having requested permission from the relevant labour authorities to proceed with the redundancy, there follows a period of consultation with workes' representatives. The employer must state their intentions in writing and a copy of this written statement must be submitted to the relevant labour authorities. There is no obligation to reach agreement with employees' representatives on the redundancy plans, although the relevant labour authorities must be notified of the outcome of the information and consultation period. The labour authorities will then decide whether to authorise the redundancies. However, in cases of force majeure, the employer may, after requesting permission from the labour authorities, simply communicate its intentions to employees' representatives without any specified period of consultation thereafter. This consultation between employers and employees lasts 30 days (or 15 days if fewer than 15 redundancies are planned), during which negotiations take place. There is, however, no obligation to reach an agreement. If agreement is reached, it requires the approval of the majority of the members of the works council or councils, employees' representatives or trade union representatives involved. If no agreement is reached, the labour authorities will make a ruling. This process can, in effect, block or delay an employer's restructuring plans. Both the employer and workes may claim that the other party has acted in contravention of its/their interests.

Good practice in anticipating change: the Textile Sector Agreement in Spain

in July 2007, the Spanish government and trade unions reached an agreement on introducing legislation to implement a support plan for the textiles sector to facilitate the industry's transition towards market liberalisation. The plan will make provision for reintegration policies to alleviate the negative effects on employment as well as measures to foster competitiveness in the sector. The government and social partners in the textiles and clothing sector have reached a definitive agreement on implementing a support plan for the industry by law. The Intertextile Council (Consejo Intertextil) signed the agreement on behalf of employers, while workes were represented by two trade union federations – the Federation of Textiles, Leather, Chemical and Allied Industries affiliated to the Trade Union Confederation of Workers' Commissions (Federación de Industrias de Textil, Piel, Químicas y Afines-Confederación Sindical de Comisiones Obreras, FITEQA-CC.OO) and the Federation of Allied Industries affiliated to the General Workers' Confederation (Federación de Industrias Afines-Unión General de Trabajadores, FIA-UGT). The agreement will cover 140,000 workers and represents more than 12,000 companies in the Spanish textile and clothing industry. The plan includes a series of sectoral and employment measures designed to adapt the industry to the structural changes taking place within the sector in world trade. These measures are intended to achieve two objectives: to make the sector more competitive on the basis of full market liberalisation and to limit the negative effects of this liberalisation on workers and regions. The specific aims for the sector are to:

- maintain as many companies and workers as possible;
- retrain and relocate surplus workers;
- provide special help for older workers who cannot be relocated;
- help companies to comply with labour and social security obligations.

The plan includes special support measures for workers aged 55 and over. If these workers have been in receipt of unemployment benefit for two years and then re-enter the labour market but experience significant difficulties in reintegrating, they will be entitled to financial support of €3,000 a year for the first two years and €5,500 for the third and fourth years. Workers are eligible for the grant up to the age of 61. These subsidies will mean that most workers aged 55 and over who have been made redundant in the sector will thus have a guaranteed income of no less than 70% of the wages they had previously received.

These measures represent a clear step forward in comparison to previous attempts to restructure the textiles sector. The plan is tailored to the unique characteristics of the sector and will ensure that companies remain competitive. It will also support workers by alleviating the negative effects of the liberalisation of world trade.

GERMANY

Worker involvement

Under German law, restructuring is defined as «change of operation» (Betriebsänderungen). German employers are not obliged to give any justification in economic terms for a decision to implement a restructuring programme; neither is the regional impact of restructuring included on the agenda since it is defined by law (as in France). The legal concept of «change of operation» comes to bear only where a works council exists (e.g. it does not apply in approximately 89% of companies, in particular small and micro-companies). Within the established legal framework, works councils are entitled to information, consultation and negotiation in three areas:

- collective agreements on the "reconciliation of interests" and a social compensation plan;
- being heard before each dismissal is actually invoked, with the opportunity to voice a formal objection;
- being properly informed within the framework of the EU directive on collective redundancies.

Dismissals related to restructuring are permissible in law by virtue of «urgent operational requirements preventing the continuation of employment». An individual may be able to challenge his or her dismissal on the grounds of operational requirements, proper selection of individuals to be dismissed in terms of seniority, age, obligations in respect of dependents and disability, and due involvement of the works council. During restructuring, an employer may bargain his way out of his obligations at any stage of the negotiation process by offering financial compensation in return for the termination of contract and procedure. There is no universal legal provision for financial compensation. Neither is there any legal entitlement on the part of the dismissed individual to outplacement services or any obligation on the part of the employer to offer such services (as in France). Any such services can only be negotiated collectively within the framework of a «social plan» if a works council exists. The law defines a social plan as an agreement on measures to mitigate or cushion the economic difficulties for employees caused by planned changes to the structure of the business. These negotiations usually result in a conclusion being reached since at this stage the works council has the power to force a conclusion. If no agreement is reached, either party may refer the matter to a conciliation board, which may eventually issue a binding decision. If the employer refuses to enter into negotiations on the content of a social plan, the works council can veto the implementation of collective redundancies if it can prove that the workers could have been redeployed elsewhere in the company or that in selecting which workers to make redundant, the employer has not taken sufficient account of social factors. Social plans are agreements between works councils and employers[31] and are the principle outcome of restructuring negotiations (in companies with more than 20 workers). Although by definition social plans are closely connected to restructuring or "change of operations", they essentially simplify the procedure and reduce risks, thereby shortening payrolls more quickly - although at considerable cost to the company and often its unemployment insurance fund. They are essentially social compensation plans to "buy individual employees out of their contract". In practice, most social plans focus on severance payments with relatively few containing measures such as training and guidance in how to apply for jobs. The trade union-funded Hans Böckler Foundation in Germany confirms this in its research, noting that social plans tend to be dominated by "passive" labour market measures such as redundancy payments.

At sectoral level, too, new initiatives have been devised which focus on preserving and creating employment by linking it to pay moderation. In some sectors such as metalworking, companies in economic difficulty are allowed to waive collectively agreed provisions in whole or in part (such as the payment of certain bonuses) if this is expressly linked to job security. Also in the metalworking industry the local bargaining parties may cut working time by up to six hours, with a corresponding cut in pay, within the context of job security. In the chemicals industry, working time may be varied within a "working time corridor" of between 35 and 40 hours a week.

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31 - Due to their private law status, no statistical data are available on social plans.

Good practice: The German metalworkers' "Better, not cheaper" campaign

Germany's metalworkers' union is securing its members' jobs via an innovative campaign designed to make companies more competitive while safeguarding existing wage and working-time agreements. Shrinking employment in traditional blue-collar jobs, decreasing membership numbers added to constant demands by employers to downgrade hard-fought social standards because the competition in Eastern Europe and the Far East is so much cheaper - these are just some of the varied and interlinked reasons why trade unions in Germany have had to go on the defensive. The Besser statt Billiger (Better, Not Cheaper) campaign was launched in November 2004 in a bid to prove that better instead of cheaper should be the motto. The campaign aims to make businesses in the metalworking sector in North Rhine-Westphalia more competitive on the international stage through investment and innovation. IG Metall sees the campaign as a counterbalance to the softer option often taken by companies that have lost their competitive edge.Workers often face more work but without any pay increase or shorter hours, fewer days' holiday and a reduction or even the elimination of holidays or bonuses and special payments for night and weekend shifts. Now, when a company in Germany's largest federal state demands changes to wage agreements from the works council and trade union, the workers' representatives no longer cave in – they go on the offensive. In practical terms, this means that they demand evidence of what the company intends to do in the future to increase quality levels to give it an advantage over the competition. If required, it must make its accounts public so that these can be examined by accountants appointed by the works committee. Unless the company is willing to be completely open, it cannot expect any cooperation from the workforce. Only if a company undertakes to eliminate shortcomings, improve structures and working procedures, promote staff training and innovation and to invest will the workforce be willing to negotiate on time-limited deviations from existing wage agreements. According to the IG Metall, «tying competition to price alone is a mistake. 'Made in Germany' does not denote cheap products, it stands for quality goods. We haven't got an export surplus as a result of being the cheapest producer in the world; on the contrary, it's because we are one of the best. So if we don't stop this debate about cheaper goods in its tracks, our economy will go to rack and ruin.» This is the stark warning to those who deceive themselves that jobs are made more secure if they are cheaper. So far, IG Metall has been discussing the «Better, not cheaper» strategy in more than 400 companies in North Rhine-Westphalia.

DENMARK

Worker involvement

There is no legal definition of company restructuring in Denmark – restructuring is governed by legislation and collective agreements. The obligation for employers to inform and consult employee representatives before starting restructuring programmes which will affect employment is governed in legislation implementing the EU directives on collective redundancies and the transfer of undertakings. There is no formal obligation on employers to negotiate with employee representatives once they have informed and consulted with them. However, in practice it is normal for fewer individuals to be dismissed than originally planned in the context of a restructuring operation following negotiations between management and worker representatives. This is often due to favourable voluntary redundancy terms and early retirement arrangements being offered in the form of social schemes to accompany restructuring operations.

The most common instruments used to handle restructuring are unilateral company social schemes (for instance, outplacement services, resignation incentives and the like), collective bargaining (which, for instance, may lead to so-called pacts on employment and competitiveness), or public policies (using ordinary income-support measures or employment-placement services).

With regard to restructuring and, in particular, outward relocation processes, trade unions in Denmark are concentrating more on shaping and influencing these processes and securing knowledge-intensive activities in the country than trying to oppose and halt relocation processes. The underlying position of trade unions is that Danish workplaces have to adjust to globalisation and outward relocation. As such, trade union practice and strategy-building should be based on the fact that, in the long term at least, workers cannot compete with low-cost countries when it comes to wages, especially in the manufacturing industry. To meet this challenge from low-wage countries – where skill levels are also rising – Denmark must draw on its past strengths, i.e. education and innovation.

While Danish trade unions acknowledge the efforts made by the government in the field of innovation, they also highlight certain shortcomings, in particular regarding innovation activities in the SME sector and regional disparities in terms of exploiting potential for innovation and R&D. In this context, LO Denmark states:

> "So a stronger and more holistic policy is needed to enhance innovation, since conditions in Denmark are conducive to it becoming one of the world's most innovative societies. But it requires far more targeted and ambitious initiatives – and a common understanding of the «soft strengths» that afford Denmark special global advantages. The potential of worker-driven innovation must be exploited, but this calls for active and systematic involvement on the part of all employees." (LO Denmark: Danish Labour News, No. 2, 2007, p. 7)

This approach is also reflected in recent collective bargaining agreements. The 2007 agreement between social partners in industry (which will affect about 250,000 employees and covers a three-year period) contains a number of significant changes with regard to these issues, in particular in terms of further and more robust access to continuing training. This is seen as a crucial instrument in boosting companies' competitiveness. The agreement provides for the establishment of a Competence Development Fund for Industry to which employers will contribute €35 per employee per week, increasing to €70 over the agreement period. These funds will be used to finance the employees' wages while they complete two weeks of continuing training.[32]

However, trade unions also believe that employers should have more responsibility in the tripartite process of handling relocation programmes. The Danish flexicurity system builds on a combination of a low level of protection against dismissals and high levels of unemployment benefits. But in the event of redundancies, it is the state that carries the main burden. Unemployment benefits are mainly financed by the state and it is the latter that has primary responsibility for redeployment measures, i.e. finding new jobs and setting up vocational training schemes. Employers should take more responsibility in these processes. There is no provision either in legislation or in collective agreements requiring employers to take social responsibility in connection with restructuring.

32 - See: http://www.eurofound.europa.eu/eiro/2007/03/articles/dk0703019i.htm

Social partner agreement on dealing with globalisation

It should also be noted in this paragraph concerning industrial relations that in various instances social partners work together on these issues. Following the initial collective bargaining round in the industry sector in Spring 2004, the central partners, CO-industry and DI, agreed to work together on the effects of globalisation. A year later, together with Denmark's main employees' organisation, the Danish Confederation of Professional Associations (Akademikernes Centralorganisation, AC), CO-I and DI published a pamphlet entitled From knowledge to growth and employment – what does it take?» The publication is a joint contribution by the three labour market organisations to the debate on the Danish government setting up a Globalisation Council in 2005. The publication highlights the overall importance of research and education and an increased focus on innovation as being the tools required to strengthen Denmark's position among the global competition, i.e. in attracting direct investment and handling outward relocations.

Good practice: Flexicurity and active labour-market policy

Danish employment reached an all-time high Spring 2007. While mass redundancies due to restructuring can be devastating news for the workers affected, a new job creation initiative has succeeded in securing employment for hundreds of workers made redundant. The initiative included the setting up of a Job Bank dedicated to finding new jobs for dismissed workers.

In February 2006, the large abattoir Danish Crown announced the closure of its plant in the southern city of Odense due to internal restructuring, resulting in the loss of some 820 jobs. On 29 September 2006, Danish Crown subsequently closed its Grindsted plant, located in western Jutland, leading to a further 701 redundancies. However, in 2007 all workers who had been made redundant at Danish Crown had found new employment and the local unemployment rate – which stood at 8.3% in 2005 – decreased to 3.6% in 2007. Against the backdrop of an economic upturn, many new jobs have been created in the transport sector, the woodworking industry and the windmill industry (the latter sector is still one of growth in Denmark). Other workers have secured employment at Danish Crown's new and extensive multi-plant in Horsens, located on the east coast of Jutland.

The success of the innovative job-creation initiative can be attributed in part to financial support of almost €400,000 secured via the European Social Fund. The name of the campaign – Workbusters – aimed to sum up the initiative's main mission, namely to identify vacant jobs, overtime, extra work, work bottlenecks, cancelled vacations and workplaces experiencing growth.

This Workbusters job-creation initiative is a unique and enterprising project and has been a great success but it is not the only stand-alone example of job-creation endeavours arising from restructuring or outsourcing of work abroad. For example, the initiative reflects some of the normal procedures stipulated with regard to mass redundancies as laid down in Danish legislation in the event of collective redundancies. In other words, it is a legal requirement for local labour-market authorities (job centres), worker representatives and company management to be involved in securing new jobs and providing continuing training for redundant workers.

According to the trade unions, the Flexicurity concept requires effective cooperation between employers, trade unions and the public authorities. Maintaining and strengthening working capacity in the event of unemployment is crucial in order to avoid social exclusion.

FINLAND

Worker involvement

The Employment Contracts Act (55/2001) and the Act on Cooperation in Undertakings (the 1978 Cooperation Act and subsequent amendments) governs the information and consultation of workers in a situation where an employer is contemplating a restructuring programme that may have an impact upon employment. These laws incorporate the provisions of the EU directives on collective redundancies and transfers of undertakings. The Act on Cooperation in Undertakings stipulates that employees' representatives must be informed and consulted in companies of at least 30 people (this threshold is lowered to 20 in cases where the employer is considering the termination of at least 10 posts). The information and consultation should cover a range of issues, including the proposed changes to the structure of the company. Following the establishment of a working group appointed by the Finnish Ministry of Labour in 2003 and the recommendations of this group, the Act on Cooperation in Undertakings was reformed in 2006. The changes included extending the scope of the Act to include all workplaces with at least 20 employees.

Employers are obliged to negotiate with workers' representatives on the parameters of a restructuring exercise. The negotiations should last for six weeks, although there is no obligation for the bargaining parties to reach an agreement. Nor can workers' representatives block or delay employer restructuring plans. In practice, the problem is that simply making an announcement can be deemed as having fulfilled this obligation, meaning that no «real» negotiations are actually held.

Against this backdrop, during negotiations in 2004 on income policy Finnish trade unions (SAK, STTK) defined their main objective as being that of improving protection for workers facing redundancy, so-called 'change security' formerly put in place by the Finnish labour-market authorities in 2005.

Good practice: the concept of 'change security'

According to the 'change security'[33] operational model, before commencing the restructuring process an employer is obliged to prepare a negotiation proposal, an evaluation of the scale of the dismissals and details of employment measures. This information will also be given to the employment office. The employer must then inform the employment office immediately about ending a fixed-term employment contract or dismissing workers covered by the change-security model. Subject to prior consent from the employee(s) concerned, the employer will then provide the employment office with information about the employee's education, duties at work and work experience. This arrangement speeds up the process of putting together an employment programme and planning measures to support access to employment. The employer must inform the worker of his entitlement to access the employment programme. Under the change security concept, the employer is also required to negotiate when reducing the workforce. The employer must outline to the workers' representative a proposal for an action plan to promote employment at the start of the cooperation procedure. The action plan must always drawn up in cases where a dismissal threatens at least ten jobs. The objective is to enhance cooperation between the employer, workers and the employment office. In addition to the negotiation outline and procedures, the plan should also include details of using planned employment services and an account of how the employer will support the worker's training and job-seeking activities. The final action plan is prepared together with the staff as a part of the cooperation procedure. If fewer than ten employees are to be dismissed, the employer must set out the ways in which it will help the workers in question to find work or training on their own as well as gain access to employment through public employment services during the notice period. In connection with the cooperation procedure concerning dismissals, under the terms of the Act on Co-Determination within Undertakings amendments must be made to the staff and training plan.

Together with the employer and staff representatives, the employment office will draw up an action plan and agree on providing and arranging services. The change security measures also cover staff reductions due to economic and production-related reasons where only a small number of workers are to be dismissed. It also covers the above-mentioned employees workerterm contracts. The employment offices will provide information about the operational employment model and change security and will advise employers and employees and help them to implement it. The employment office will train consultants to specialise in the field of change security. They will act as a mobile resource in the event of large-scale lay-offs. These specially trained consultants will initiate the measures and be responsible for employment services in the case of large-scale lay-offs. Employment offices offer a range of services in connection with change security, including:

- job-seeking service;
- employment services;
- labour-market training;
- work experience;
- other services to develop vocational skills.

33 - Further information: http://www.mol.fi/mol/en/99_pdf/en/92_brochures/change_security_20050715.pdf

POLAND, THE CZECH REPUBLIC AND HUNGARY

Worker involvement in restructuring in the new Member States

As summarised above, restructuring in the new Member States differs somewhat from the situation in the EU-15 countries, in particular as regards the restructuring of entire economic sectors - such as steel, shipbuilding or mining - in the context of preparing for privatisation and/or market liberalisation. Since these sectors are normally characterised by robust trade union structures and social dialogue institutions, the framework for restructuring in public sectors also differs from that in the private sector. Restructuring plans in public sectors are initiated and managed at national level, often after consultation with trade unions, and implemented within the context of social dialogue at regional and local level.

Against this backdrop. trade unions in Poland, the Czech Republic and Hungary highlight the importance of social dialogue and sectoral 'social pacts' for large-scale restructuring operations in order to avoid social conflict and to give redundant employees the best possible support (severance payments, early retirement schemes, qualifications etc.).

In this context, in September 2005, for example, the Polish trade union federation NSZZ Solidarnoŕř put forward an amendment to an opinion of the European Economic and Social Committee on social dialogue and employee participation in the context of anticipating and managing change. Following this amendment, the final version of the opinion included a reference to the importance of promoting social dialogue as an effective instrument in developing appropriate social packages in the context of restructuring processes.[34]

In contrast to this, restructuring processes in the private business sector are characterised by considerable weakness as regards social dialogue and worker involvement at company or sector level. However, employers are obliged to follow EU regulations concerning information and consultation, either via trade union structures or by communicating directly with employees.

When looking at practical cases of both large-scale macroeconomic sectoral restructuring as well as cases in the private business sector, two distinct features emerge:

- restructuring programmes in the context of macroeconomic sectoral restructuring are characterised by a relatively high level of trade union involvement and social dialogue. In this context, generous social pacts have been concluded which include relatively high severance payments and training provisions;
- in contrast to public-sector restructuring, restructuring processes in the private business sector very much depend on whether collective agreements and a robust trade union structure are in place as the key factor in positive social measures accompanying restructuring operations. In general, in cases of 'progressive' restructuring packages, too, these mostly entail on severance payments and active involvement by local authorities in retraining and redeployment programmes.

Poland

Polish legislation implementing EU legislation on collective redundancies came into force in April 2003 and sets out employers' obligations in terms of information and consultation in the event of restructuring involving collective redundancies. Its provisions follow those set out in the Directive. Before any redundancies take place, an employer must inform trade unions of the reason for the redundancy, the number of workers involved, and the criteria used. The employer must also submit a financial plan. In the context of a restructuring programme, the law requires an employer to consult with trade unions to come up with the best possible solution in terms of employment. This could include measures such as helping workers to gain additional qualifications, retraining them or deploying them in alternative positions. The employer is also obliged to inform the local labour office of plans to make collective redundancies and no redundancies may take place for at least 30 days after the labour office has been informed. The law stipulates that employees being made redundant must receive a severance payment, the level of which will depend on length of service: one month's pay for service of up to two years, two months' pay for service of between two and eight years, and three months' pay for service of more than eight years.

There is no statutory obligation on the employer to offer alternatives to redundancy. However, further social schemes are often reached by collective agreement where trade unions have the respective bargaining power. These agreements normally include early retirement arrangements, training for redundant employees and loans for new company start-ups. In addition, if an employer has made collective redundancies and is planning to fill the same positions within 15 months of the redundancy, they are obliged to offer said jobs to those previously made redundant.

Trade union involvement and collective bargaining over restructuring plans takes place on a case-by-case basis. The extent and level of the bargaining depends on the strength of the trade union in a particular sector. In the mining sector, for example, over the past few months the influential mineworkers' union has taken industrial action on several occasions. This resulted in a change in government policy, with the reversal of the planned closure of mines. Instead, mines will be merged and debts will be waived. In addition, the government has given a guarantee that no miner will be subject to compulsory redundancy. Although employment in this sector will be reduced as part of the restructuring, there will be a number of options available to those losing their jobs including alternative employment in active mines, early retirement on 75% of former salary, free training and advice and loans to start up a business.

Czech Republic

In the Czech Republic, too, restructuring processes are governed by national regulations on collective redundancies and the information and consultation rights set out in EU directives. According to the Czech Labour Code and the Bankruptcy Act, employers in the Czech Republic are obliged to inform and consult with employees in the event of restructuring. An employer must inform workers and discuss matters with them directly, unless there is a trade union organisation or a work council.

Czech trade unions consider the legal framework for information and consultation to be very weak and, in reality, the level of information provided and consultation very much depends on the goodwill of the individual management.

The Czech Government has set up the Czech Consolidation Agency (CKA) to assist with restructuring processes at company level and support companies in dealing with the required change processes. The main purpose of the CKA has been to provide loans and accept deposits. The agency has played a vital role in the privatisation of state-owned companies. However, in 2006 the Czech government announced that the CKA would close in 2008, three years earlier then originally planned.

Although other special programmes are in place to assist companies with restructuring operations and in implementing restructuring projects in the Czech Republic, trade unions underline the fact that at present social issues are not taken into account during restructuring, the entire process being handled by the Finance Ministry. Employees who are laid off only receive support in the form of small financial packages (approximately three or four months of redundancy pay) or early-retirement pensions. Trade unions do not feel that the social aspects of restructuring are taken in account: there is little incentive and very few measures to help those made redundant find new jobs and people laid off feel helpless. For example, trade unions report that in the food sector, the restructuring process is managed poorly and that there is little cooperation with the employment services.

Czech trade unions are currently calling vociferously for a general change in public employment policy to address change and manage necessary restructuring processes more effectively. In particular, the shift from an industry-based economy to a services-oriented one is a major challenge in terms of employment policy as well as for the education system since it requires major changes in employees' skills and abilities as well as new forms of work organisation and new methods of management. Furthermore, in a high value-added economy, workers' qualifications and management skills are both critical factors in productivity. To date, training and skills-development schemes are not a prominent feature of companies' human resources policies. Training schemes should be promoted and incentives given to encourage employees to develop their skills.

Hungary

In the late 1980s, Hungary introduced laws on dealing with company closures and restructuring (Corporate Bankruptcy Act and Enterprise Act). In 1989, the Act on Transformation of State Enterprises was introduced allowing state-owned and other forms of collectively owned companies to become limited corporations. During the 1990s, successive laws (1992, 2003 and 2005) set out a range of benefits for workers in companies closing for financial reasons. Legally binding conditions and levels of severance pay were also outlined at this time. The Hungarian Labour Act[35] contains several key provisions as regards collective redundancies or 'mass layoffs' in companies with more than 20 employees:

- At least 15 days before the decision is made, the management must consult with workers' representatives, i.e. the works council and the union (works councils are only required if there are at least 50 employees), or with a workers' committee if there is no council or union. Reasons must be given for the lay-offs and the benefits set out according to the collective agreement and/or legislation. If the workers' representatives and the management reach an agreement, it must be sent to the County Labour Centre. If the workers' representatives feel that their consultation rights have been violated, they may take legal steps but any such move will not prevent the lay-offs.
- The County Labour Centre must be informed of the lay-off decision at least 30 days before the lay-offs are implemented by the employer. The workers in question must also be notified 30 days before the lay-off letters are delivered. Certain workers are protected from lay-offs, such as those on disability, maternity leave etc.. If any of these provisions are violated, the employee may seek redress from the Labour Court.
- The usual provisions for severance pay apply, unless the employer decides to pay a higher level of collective severance pay than that stipulated by law.

It should also be noted that employees covered by a collective bargaining agreement at sectoral, company or occupational level may enjoy benefits and entitlements over and above those required by law. By contrast, workers in companies with fewer than 20 employees are only entitled to a modest severance package and legal notification; works councils are not required for firms with fewer than 50 employees.

34 - See Opinion of the European Economic and Social Committee on Social dialogue and employee participation - Essential for anticipating and managing industrial change (2006/C 24/17), http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_024/c_02420060131en00900094.pdf

35 - See also Hungary – Country Dossier, Joint Project of the European Social Partner Organisation: Study on Restructuring in New Member States, 2005

EWCS AND TRANSNATIONAL RESTRUCTURING

The European Works Council Directive is the only instrument in the European toolbox of labour relations regulations which not only defines procedures and minimum standards as regards information and consultation but also created a new institutional structure for employee participation at cross-border level and legally independent of national and/or company-specific institutions for employee representation.[36]

There are no official data on the number of multinational companies which have established EWCs or on the numbers of new agreements that have been concluded in recent years. The most authoritative figures are those compiled by the European Trade Union Institute (ETUI-REHS), which estimates that the number of companies falling within the scope of the EWC Directive rose from 1,865 in 2002 to 2,169 in 2005. The majority of this increase can be attributed to the impact of EU enlargement due to many companies headquartered in the 'old' EU Member States and with operations in the new Member States now being covered by the Directive.[37]

A central criticism of EWCs has been that many exert very limited influence on management decision-making and company development in general, particularly as regards restructuring. The European Commission's April 2004 consultation document on EWCs notes that instances where information and consultation have been «absent or ineffective» during restructuring gave rise to «concern and anger» among employees. More generally, surveys point to widespread dissatisfaction amongst EWC representatives with the current practices of EWCs, particularly regarding the quality of information and consultation.

A survey conducted on behalf of the ETUC confirmed this widespread dissatisfaction about crucial shortcomings in EWC practice and weaknesses in the legal framework on cross-border information and consultation. The survey[38] highlights crucial shortcomings in current EWC practice and certain weaknesses in the legal framework on cross-border information and consultation: less than one third of EWC representatives think that there is «useful information and consultation» on all items included in Article 2 of the EWC Directive, and only 1.7% of all representatives consider EWCs «very effective» as a means of influencing management as compared with 16.9% who feel that EWCs are «not at all effective» in this role. These results indicate that in practice, the purpose and objectives of the EWC Directive with regard to information and consultation are not being achieved in most EWCs. «Information disclosure and consultation is not taking place on the range of topics identified by the Commission as key to a successful system of European employee participation»

With regard to restructuring, the findings of the study are even more worrying. In addition to corroborating the assumption that restructuring is a highly relevant issue for most EWCs in Europe today (81% of respondents indicated that their management had restructured the company to some degree in the three years prior to the survey), the survey also shows that less than 25% of EWC representatives were informed of the company restructuring before any decision was taken by management and less than 20% were consulted. In other words, over 75% of EWC representatives were either informed by management only after the final decision had or were not informed at all. Over 80% of EWC representatives were in the same position when it came to consultation.

These mismatches between the original purpose of the Directive and EWC practice are confirmed by other studies such as a comprehensive case-study–based report by the European Foundation for the Improvement of Living and Working Conditions analysing the practical operation of EWCs in some 40 EWCs in companies headquartered in five different countries. Although the report found that practices varied widely between the EWCs concerned, the survey was not able to identify a single example where an EWC had become a truly European-level representative body.[39]

Although the rights of EWCs are formally limited to information and consultation, there is increasing evidence that EWCs are becoming far more closely involved in company development, in particular in the context of transnational restructuring processes. The majority of EWCs involved in negotiations on restructuring issues are those within the French-based multinationals Danone (1992, 1997), Axa (2005), PSA Peugot-Citroen (2006), Renault (2004), Total (2004) and Suez Lyonnaise des Eaux (1998), although similar examples in Germany include Deutsche Bank (1999) and Bosch (2004). Other well-known companies include General Motors (four agreements between 2000 and 2004) and Unilever (2001, 2005).

While GM Europe (see box) is a leading example in terms of enabling the negotiating role of EWCs, other companies have also developed a pro-active and agenda-oriented EWC practice characterised by a solid trade union basis, robust integration of European interest representation into national channels, worker involvement structures, the development of a European agenda and the creation of joint European projects. One visible indication of EWC influence is the negotiation of agreements or joint texts by, or with involvement of, EWCs. Such texts have been negotiated in a small but growing number of companies. A recent research project documented around 50 joint texts and agreements negotiated by some 20 EWCs.[40] The most common themes addressed in these joint agreements are social/trade union rights, corporate social responsibility (CSR) and the handling of company restructuring. Other topics covered include health and safety, skills training and gender equality.

However, as the authors of the survey conclude:
"(…) active involvement in transnational corporate restructuring, with influence on the employment and social aspects of the implementation of restructuring decisions, seems to be very much a minority practice in EWCs, determined by the combined presence of a number of factors relating to the company concerned, its management, the organisation and coordination of the worker side, and the EWC's constitution and operation. It remains an open question whether more EWCs can in future take on this more active role."[41]

Negotiation role of GM Europe's Employee Forum

In 2000, an agreement was signed between the management of General Motors Europe (GME) and the European Employee Forum (EEF) on the consequences of an alliance with Fiat. In this instance, the EEF succeeded in securing entitlement to ongoing and timely information about developments within the alliance and undertakings that the alliance would not lead to workforce reductions, plant closures or the worsening of working conditions, that existing collective bargaining agreements would remain in force, that transferred workers should have the right to remain and return, and that current national and EU-wide representation bodies and unions should be recognised in any new companies that may be formed. In 2001, another important framework agreement on restructuring initiatives was signed between EEF and GM management. In this agreement, management pledged to avoid compulsory redundancies in connection with planned restructuring initiatives and to maintain vehicle production in Luton (UK). Faced with a severe crisis in competitiveness in 2004, GME put forward another restructuring programme that provided for a reduction of the labour costs valued at €500 million. The initial plan provided for delocalisation processes with the closure of at least one manufacturing plant, a reduction in employment levels and a cut in wages. In order to maximise the results of the restructuring plan, the Group tried to force the various plants to compete with one another. As in 2000 and 2001, with the support of the European Metalworkers' Federation (EMF), a day of Europe-wide industrial action was organised to oppose the company's strategy. The day of protest, which saw the participation of plants in Germany, Sweden, Great Britain, Belgium, Poland and Spain demonstrated a degree of solidarity among the various national representative bodies. The show of solidarity between the various plants as well and the coordinating role played by the EMF resulted in the company management accepting the need to negotiate with workers' representatives at European level. These negotiations culminated in the signing of a framework agreement on 8 December 2004 between the central management of GM Europe and the EEF waiving the closure of plants and dismissals for company reasons. The framework agreement laid the foundations for subsequently more detailed negotiations at national level. The difficulty of putting together a strategy and reaching agreements at European level is demonstrated by the protests of workers' representatives in Great Britain and Belgium who, during the final stages of talks, made a formal protest to the EMF. They claimed that their German colleagues from the Bochum plant had infringed the principle of transparency. Indeed, at Bochum diverging viewpoints became apparent within the trade union, the works councils and among blue-collar workers criticising the outcome of the talks with management. This illustrates just how difficult it can be for EWCs to put together a common strategy at European level.

36 - The regulations laid down in the Directive regulating employee involvement in the European Company (SE) (RL 2001/86/EC) do follow by large the EWC model with regard to the establishment of a European level of employee interest representation. Kluge, N., Stollt, M. 2006: The European Company - Prospects for Worker Board-Level Participation in the Enlarged EU. European Trade Union Institute, Brussels.
37 - Kerckhofs, P. 2006: European Works Council Database, Brussels.
38 - The questionnaire-based survey was carried out in nearly 200 different companies with an EWC, involving a total of nearly 2,400 EWC delegates (with a response figure of nearly 20%). See: Waddington, J. 2006 : Why the revision of the EWC Directive is needed, in: Mitbestimmung, 8, 41-44.
39 - See: Weiler, A. 2004: European Works Councils in Practice, Luxembourg ; Voss, E. 2006: European Works Councils experience in new EU Member States. European Foundation for the Improvement of Living and Working Conditions, Dublin.
40 - Carley, M., Hall, M. 2006: European Works Councils and Transnational Restructuring. Report for the European Foundation for the Improvement of Living and Working Conditions, Dublin.
41 - Carley, M., Hall, M. 2006, 77

FURTHER INFORMATION AND RESOURCES

EU REGULATORY FRAMEWORKS ON CLOSURES AND TRANSNATIONAL MERGERS

Closures and mass redundancies

EU regulatory framework

Generally in Europe a proposal to dismiss workers for organisational or economic reasons is considered a collective redundancy. Collective redundancy procedures are governed by national law and/or by national collective agreements concluded by intersectoral social partners at national level. This national legislation sets out the conditions under which the dismissal of employees working in that country may constitute collective redundancy. It also stipulates the terms and conditions for implementing the redundancy. In most cases this national legislation reflects the statutory provisions of the EU Directive on Collective Redundancies (EU Directive 98/59/EC), as transposed into national law.

National regulations

- In Belgium, The Netherlands, Italy and France collective agreements include statutory provisions in the event of redundancy.
- In The Netherlands, some collective agreements contain stipulations on procedures obliging employers to consult with the unions on a 'social plan'. Others contain more general provisions, setting out employers' duties to provide for outplacement or retraining facilities.
- In France, the new law of January 2005 on Social Cohesion includes provision for tailored back-to-work assistance agreements for workers who are made redundant. These statutory agreements, providing for enhanced unemployment pay, retraining schemes and assistance with finding new employment, are funded partly by the employer and partly by the state.
- In Sweden, in the event of collective redundancies social protection is regulated by the Co-determination Act (1976). Accordingly, the employer is obliged to set out the problem giving rise to the planned redundancies and the company's plans for dealing with it to the trade unions. Then, if the employer decides to proceed with the redundancies, fresh negotiations must start immediately with the unions.
- Similarly, in Germany, information on any plans which may lead to job cuts must be passed on to the works council in accordance with the Works Council Constitution Act (1952). Redundancy procedures require information to be provided to the works council and the employment office, although they are not asked to approve the redundancies.
- Conversely, in Italy, labour surpluses giving rise to workforce reduction are directly managed by employers through a statutory instrument (the Wage Guarantee Fund) depending on whether the reduction is temporary or permanent.
- In 1999, the Labour government in the United Kingdom brought national law into line with the EU Directive on Collective Redundancy by amending existing legislation which widened the scope of statutory consultation. There is now a legal obligation for UK employers to consult with representatives of «workers who may be affected by the proposed dismissals or measures taken in connection with those dismissals».
- Similarly, the new Member States have introduced regulations on dealing with collective redundancies into their national labour laws.

Mergers and acquisitions

EU Regulatory Framework

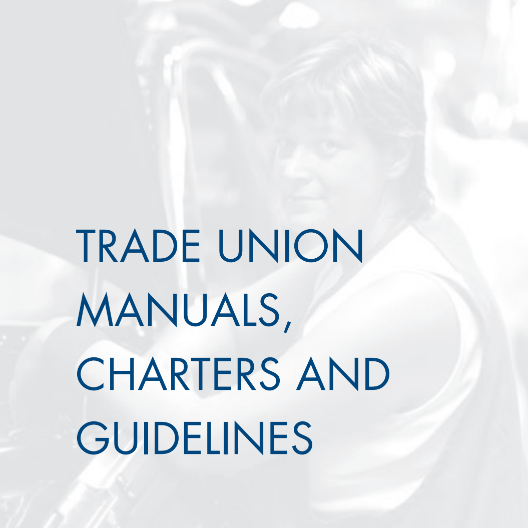
The regulatory framework governing the rights of employees and their representatives in M&A was originally set out in Directive (77/187/EC) relating to the safeguarding of workers' rights in the event of transfers of undertakings, businesses or parts of businesses. This was revised in 1998 by Directive 98/50/EC on transfers of undertakings, and then by the new Directive on takeover bids (2004/25/EC) adopted in April 2004, which applies to many mergers and acquisitions. The 1998 EU directive stipulates that, in the event of merger or acquisition, the rights and obligations arising from a contract of employment or an employment relationship with the transferor organisation are transferred to the transferee. Following the transfer, the transferee must observe the terms and conditions in any applicable collective agreement. A merger or acquisition shall not in itself constitute grounds for dismissal. Workers' representatives' status and function are also preserved. Another EU directive relating to collective redundancies (98/59/EC) stipulates that employers contemplating collective redundancies, which can occur in the wake of mergers and acquisitions, must begin consultation with employees' representatives in good time with the view to reaching an agreement. Under directives 98/50/EC and 98/59/EC governing the rights of workers and their representatives in the event of M&A and in any collective redundancy, much of the detailed regulatory framework may be formulated according to specific national legislation implementing the directives. As a consequence, the information made available to different types of workers' representatives varies from country to country.

National variations

Comparative studies have highlights significant national variations as regards workers' rights in relation to mergers and acquisitions. For example, one finding by these studies is that while there had been a common trend in all EU countries of increasing numbers of mergers raising important industrial relations issues, the social impact they had varied greatly from one country to another. Another study also pointed to national variations in the involvement of employees in company restructuring, but argued that the «real influence of employees and their organisations in relation to continuous company restructuring is very limited»' .

EU legislation requires that information and consultation on issues such as transfer of production and mergers and acquisitions also be provided at European level, including to EWCs (94/95/EC). In particular, Directive 2004/25/EC regulates the issue of worker participation at European-level in the event of cross-border mergers. Although the new 2004 Directive makes mergers much easier and cheaper, it does not undermine national rights to information and consultation (and, in some countries, to co-determination). The directive stipulates that employees and their representatives must be informed and consulted «readily and promptly» on future business activities, the economic situation of the company and on developments affecting employment, including the company's obligation to safeguard jobs. In this context, the European Trade Union Federation of Public Employees (EPSU) compiled a European Works Council Merger and Acquisition Checklist in 2004.

As a starting point, the 2004 directive states that national employee participation rules, if any, shall apply to the company formed as a result of the merger. However, it excludes situations where at least one of the merging companies has more than 500 employees, or where national law applicable to the company formed as a result of the merger does not provide for the same level of participation as that in operation in each of the relevant merging companies, or does not afford the same participation rights for workers of foreign establishments belonging to the resulting company.



TRADE UNION MANUALS, CHARTERS AND GUIDELINES

Both European and national trade union confederations and federations have developed practical manuals, guidelines and charters in order to support their members in restructuring situations. The following list is just an incomplete overview of documents and initiatives which are providing more insights into the issue of restructuring from different angles.

Documents prepared by European Industry Federations

- "How to deal with transnational company restructuring", EMF handbook, available in seven langagues.
- "UNI's offshoring Charter", prepared by UNI Europe.

Documents prepared by national ETUC member organisations

- "Trade Unions Anticipating Change in Europe - A handbook on restructuring", prepared in the context of the TRACE project.
- "Trade Union Movement and Restructuring - Guideline to Union Work, handbook prepared by Finnish and Estonian trade unions in the context of the TRACE project.
- "Outsourcing & offshoring - a checklist for trade unions", prepared by the Swedish SIF trade union.
- "Offshoring, outsourcing - Efficiency Test", prepared by FNV Bondgenoten.
- "Outsourcing. Amicus Negotiators Checklist", prepared by the British Amicus trade union.
- „Håndbog om lønmodtagernes rettigheder og muligheder ved virksomhedslukninger og virksomhedssalg", practical guideline on restructuring for Danish trade union members, LO Denmark.
- "Umstrukturierung. Fusion, Outsourcing, Ausgliederung. Leitfaden für Betriebsräte", prepared by the Arbeiterkammer Wien
- "IT-Offshore-Outsourcing. Handlungshilfe für Betriebsräte", prepared by the German ver.di trade union

WEB-RESOURCES

Restructuring

- Trace Project: www.traceproject.org
- EU Commission's web-site on restructuring: http://ec.europa.eu/employment_social/restructuring/facts_en.htm
- European Monitoring Centre on Change: http://www.eurofound.europa.eu/emcc/

ETUC and workers participation

- Web-site of the ETUC: www.etuc.org
- ETUI-REHS overview of workers participation in Europe: http://www.worker-participation.eu/
- ETUI-REHS EWC database: http://www.ewcdb.eu/
- Social Development Agency SDA: http://www.sda-asbl.org/
- DG Employment website on worker participation and labour law: http://ec.europa.eu/employment_social/labour_law/directives_en.htm
- DG Employment website on European Social Dialogue: http://ec.europa.eu/employment_social/social_dialogue/index_en.htm

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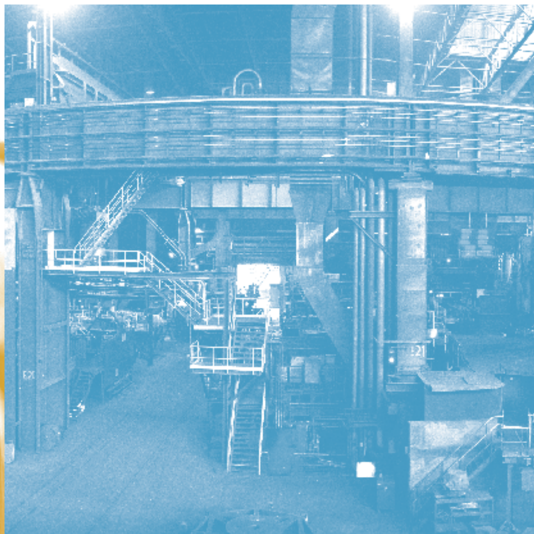

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