

14/07/2005

COMMISSION COMMUNICATION ON RESTRUCTURING AND EMPLOYMENT**UNICE POSITION****Summary**

1. UNICE welcomes the positive attitude of the Commission towards restructuring. Companies have to be able to react in good time and quickly to changing economic situations. In order to be able to adapt to change in a positive way, it is of vital importance that no further burdens are imposed on companies. We also welcome the recognition that adjustment and restructuring measures do not only concern sectors in difficulty but is a permanent process which allows to move out of unprofitable activities and to develop more productive ones. The best way to alleviate workers concerns is to implement the European growth and employment strategy. Trying to prevent or limit restructuring by tightening the regulatory straitjacket around the business would be counterproductive.
2. If restructuring is managed in a pro-active way, adjustment cost can be minimised. The European Union can play a positive role. However, dealing with the consequences of restructuring operations is by definition a matter for local players. They have to be tackled with by the firms and the employees directly concerned. Concrete responses to the specific problems they encounter on the ground can only be discussed, decided and implemented at local level.
3. UNICE shares the Commission's overall aim of fostering a positive attitude to change and enhancing Europe's capacity to manage it pro-actively. However, it does not support the proposal to create a new capacity for Community intervention in crisis cases and has the greatest doubts about the added value of a new forum on restructuring.
4. Concerning the social partners second consultation, while appreciating the open character of this consultation, UNICE remains convinced that launching it was neither desirable, nor necessary. As foreseen in the EU social dialogue work programme 2003-2005, orientations of reference on managing change and its social consequences negotiated with ETUC were transmitted to the Commission in October 2003. Moreover, shared lessons on European works councils adopted by the EU social partners were presented on 7 April 2005. Finally, discussions between the European social partners are currently ongoing in the context of a joint study on restructuring in the new Member States. UNICE and its member federations are committed to promoting these joint texts across the European Union and are currently collecting information on actions taken by employers and workers representatives on restructuring.

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5. On 5 April 2005, the Commission adopted a communication on restructuring and employment in which it
 - describes the current challenges in terms of restructuring and employment (see chapter 1),
 - announces a series of Community initiatives to facilitate socio-economic change (see points 2.1 to 2.3),
 - launches a second consultation of the social partners on restructuring and European works councils based on article 138 of the treaty (see point 2.4).
6. With regard to the second consultation of the social partners, UNICE appreciates the open character of this consultation but remains convinced that launching it was neither desirable, nor necessary.
7. UNICE shares the Commission's overall aim of fostering a positive attitude to change and enhancing Europe's capacity to manage it pro-actively. However, it does not support the proposal to create a new capacity for Community intervention in crisis cases and has the greatest doubts about the added value of creating a new forum on restructuring.
8. In reply to this communication, UNICE would like to
 - make general comments on the challenge of restructuring,
 - comment on specific EU level initiative proposed by the Commission,
 - highlight joint initiatives of the EU social dialogue on restructuring and EWCs.

General remarks on restructuring

9. UNICE welcomes the positive attitude of the Commission towards restructuring. Companies have to be able to react in good time and quickly to changing economic situations. In order to be able to adapt to change in a positive way, it is of vital importance that no further burdens are imposed on companies. We also welcome the recognition that adjustment and restructuring measures do not only concern sectors in difficulty but is a permanent process. As the Commission rightly says, restructuring is both necessary and inevitable. It allows to move out of unprofitable activities and to

develop more productive ones. The life of a business entails constant adaptation to change. Restructuring operations not only ensure the survival of businesses. They are also necessary for their development, and are indispensable for growth and employment. There are many examples of companies becoming world champions after restructuring.

10. Restructuring can be painful, hence the negative perception prevailing in some countries. The concern it causes is legitimate. However, attitudes vary depending on the overall functioning labour markets. In UNICE's view, the best way to alleviate workers concerns lies in promoting growth and employment. Let us recall that, despite a disappointing recovery and a lack of reforms in some major countries, the European economy is still expected to create about three million new jobs during 2005-2006.
11. If change is managed in a pro-active way, adjustment cost can be minimised. However, in order to be effective, flanking measures taken by the public authorities must form part of long-term policies which support corporate competitiveness on the one hand and the employability of workers on the other. Trying to prevent or limit restructuring by tightening the regulatory straitjacket around the business would be counterproductive. According to the Commission Spring 2005 Economic Forecasts, sectoral restructuring is partly a statistical phenomenon, given that certain services functions are outsourced from enterprises in (manufacturing) industry. Over the 1990s, the weight of services has increased from about 60% to 70% of total added value with re-structuring effects but with little marginal net employment effect.
12. Dealing with the consequences of restructuring operations is by definition a matter for local players. They have to be dealt with by the firms and the employees directly concerned. Concrete responses to the specific problems they encounter on the ground can only be discussed, decided and implemented at local level.

Comments on specific EU initiatives

13. That being said, the European Union can play a positive role. As indicated above, implementation of the European growth and employment strategy is essential to maximise the opportunities and minimise the risks linked to restructuring operations. Increasing workers' capacity to adapt to new conditions, easing investment in human capital and lifelong learning, improving employment prospects are all Lisbon goals that would help to minimise social costs linked to restructuring. Similarly, the integrated guidelines emphasise the need to improve our capacity to anticipate, activate and absorb and economic and social changes. Guideline 20 calls for better anticipation and positive management of change, including economic restructuring. Apart from this explicit reference, implementation of all the integrated guidelines is pertinent in this regard.
14. Concerning structural funds, UNICE underlines the positive role played by the European Social Fund and the European Regional Development Fund. Cohesion policy constitutes a major channel to support structural changes in regions where the costs of restructuring are concentrated by strengthening regional competitiveness, improving human and physical capital as well as fostering innovative capabilities. However, employers believe that ESF should be used more effectively to support employability and productivity. Moreover, UNICE does not support the proposal to create a new capacity for Community intervention in crisis cases. Financial support to sectors or companies undergoing a crisis is not be the right response to facilitate real economic development or create viable jobs. In addition, UNICE warns against the distortions of competition that such intervention could trigger.

15. The Commission announces a series of initiatives designed to improve understanding of restructuring. For instance, it intends to engage in close monitoring of sectors likely to undergo significant change in the short term and announces publication of a communication on the sectoral dimension of industrial policy. Furthermore, it intends to put in place a new forum on restructuring. UNICE shares the Commission's concern to have tools for observing, understanding and therefore accompanying restructuring operations better. However, it believes that "monitoring" restructuring at EU level is neither desirable, nor possible.
16. Furthermore, UNICE has the strongest doubts on the added value of a new forum on restructuring. There is already a European observatory on change which brings together the social partners and the public authorities (Commission and Member States). In addition, the European Economic and Social Committee has also set up an advisory committee on industrial change. The creation of a new forum will fragment the means available for studying the phenomenon of restructuring.
17. UNICE believes that one should make better use of existing tools rather than creating new ones. In any event, the mission of this forum must be clarified. Furthermore, UNICE insists that its composition must fully reflect the specific role of the social partners and its modus operandus must respect the autonomy of social dialogue.
18. Concerning future EU initiatives in the area of industrial policy, it is essential that they are fully incorporated in the approach defined in the Commission's 2003 communication, which is based on good articulation between horizontal measures and sectoral initiatives. A renewed industrial policy should aim at enhancing the competitiveness of manufacturing industry by combining and adjusting for this purpose all the Community instruments available. In no way would this mean a policy that aims at picking winners. A renewed industrial policy would coordinate in a coherent manner different policies to create a favourable legal, economic and infrastructure environment for competitive business, and facilitate structural changes.
19. UNICE also recalls the importance of the following horizontal measures for improving the general competitiveness of European companies:
 - put in place a legislative, regulatory and financial framework conducive to entrepreneurship,
 - promote innovation, knowledge and research,
 - ensure access to a skilled labour force,
 - improve integration of European policies which have an impact on industrial competitiveness,
 - develop innovative approaches for promoting sustainable industrial development,
 - improve access to international markets under conditions of balanced competition and defending the interest of the EU against unfair practices,
 - improve access to the infrastructures needed for a competitive economy,
 - supply services of general interest at competitive prices in sectors which are not completely liberalised,
 - implement a proactive innovation strategy and promote the concentration and effectiveness of research and development efforts,
 - realise an internal market for services.

Joint initiatives of the EU social dialogue

20. As foreseen in the EU social dialogue work programme 2003-2005, orientations of reference on managing change and its social consequences were negotiated with ETUC and transmitted to the Commission in October 2003. These orientations of

reference highlight the importance of explaining and giving the reasons of change and developing employability in order to facilitate the management of the social consequences at local level. Moreover, shared lessons on European works councils adopted by the EU social partners were officially presented to the EU institutions at a meeting with the Social Affairs Council on 7 April 2005. They show that EWCs are a useful tool, helping to adapt to change concerning the group's strategy and affecting sites in several countries. They confirm that social consequences are discussed at local level and reveal the complexity of handling multiple layers of information and consultation. Finally, discussions between the European social partners are currently ongoing in the context of a joint study on restructuring in the new Member States.

21. UNICE and its member federations are committed to promoting the orientations of reference on managing change and the lessons learned on EWCs across the European Union. UNICE is currently collecting information on actions taken by employers and workers representatives on restructuring. UNICE is also willing to discuss with ETUC how to further encourage the promotion of the restructuring and EWC texts negotiated in the EU social dialogue. However, employers stress that these best practices tools must not be seized upon by the Commission in order to prepare further legislation on these subjects, or to interfere with the decisions of local players who are best placed to devise solutions to deal with the social consequences of change.

Conclusion

22. Conscious of the legitimate concerns prompted by restructuring, UNICE is favourable to development of policies allowing to accompany them proactively. However, it stresses that the concrete responses to specific problems encountered on the ground by companies and employees can only be discussed, decided and implemented at the local level.
23. To be effective, the accompanying measures taken by the public authorities must form part of long-term policies which support corporate competitiveness on the one hand and the employability of workers on the other. Trying to prevent or limit restructuring by tightening the regulatory straitjacket around the business would be counterproductive.
24. While appreciating the open character of the second consultation of the social partners, UNICE remains convinced that launching it was neither desirable, nor necessary.
25. Similarly, UNICE shares the Commission's overall aim of fostering a positive attitude to change and enhancing Europe's capacity to manage it pro-actively. However, it does not support the proposal to create a new capacity for Community intervention in crisis cases and has the greatest doubts about the added value of creating a new forum on restructuring.
26. European employers urge the European institutions to take account of their comments and call on Member States to ensure implementation of the European growth and employment strategy in order improve the European Union's capacity to anticipate and adjust to economic and social changes.