

**ECOSOC CONFERENCE “RELOCATION – CHALLENGE AND OPPORTUNITIES”
28-29 JUNE 2006-06-21**

**SESSION 4: “DEALING WITH RELOCATION”
29 JUNE , 14H30 TO 17H30**

BULLET POINTS FOR PHILIPPE DE BUCK, UNICE SECRETARY GENERAL

TIME SLOT: 12 MINUTES

PARTICIPANTS:

- Mr Philippe de Buck, UNICE
- Mr Harry Dijkstra, Committee of the Regions
- Mr Philippe Herzog, Confrontations Europe
- Mr Philippe Maystadt, European Investment Bank
- Mr John Monks, ETUC
- Chair: Mr Joost van Iersel, ECOSOC

Introduction

- UNICE published a brochure in December 2005 on relocation which bears the same title as the conference “relocation – challenge and opportunity”.

Relocation – what are we talking about

- Relocation often serves as a scapegoat for job losses resulting from the wider phenomenon of structural change. The jobs lost because a company is moving abroad should be considered part of a broader problem of adjustment to structural economic changes. The root of the problem is the inability of some European countries to generate new jobs which replace those having become uncompetitive in a global economic environment. Only 6-8% of restructuring are linked to relocation according to the European Centre for Monitoring Change based in the Dublin Foundation.

What are the positive impacts of relocation?

- In public debate the obvious benefits of relocation are seldom mentioned:
- First of all, consumers everywhere benefit from cheaper products and services. Example: nowadays almost everybody can afford a DVD player, which used to be a luxury product five years ago, because most of DVD players sold world-wide are produced in China.

- Relocation contributes to the economic development of emerging economies, which makes not only people there better off but also increases export demand in the home country. The spectacular economic development of China, India and others has already provided a strong stimulus to external demand for European products and services.
- Repatriated earnings of the relocating company eventually boost investment and growth in the home country.
- Displaced Workers previously engaged in the relocated activities are available to move into higher value-added jobs.
- This last point is, of course, the key point of the whole debate. The ability to create new jobs to replace those which disappear is key. In a global economy, countries who are flexible enough to cope with change rapidly tend to make better than those who try and resist.
- Because of differences in economic flexibility, large differences exist between individual countries in terms of how beneficial relocation activities are for them. A study carried out by McKinsey Global Institute in 2003 found that every dollar relocated to India creates 1.14 dollars additional value for the US economy. Denmark gains 5 Ore from each Krone relocated. In contrast, Germany and France lose in this model made by McKinsey because their labour markets are not flexible enough.

There are social “adjustment” costs to relocation

- When there are real social problems linked to relocation, it is important to deal with them in a constructive way. This can only be done at local level.
- People having lost their jobs in non-competitive industries may not have the qualifications to be employed in competitive, high-tech sectors. The most exposed workers are generally those who are older and less skilled than average and thus more likely to enter into a vicious circle of long-term unemployment. Moreover, job losses might be concentrated in particular regions.
- By the way, whole companies and especially SMEs suffer similar problems as individual workers if their major clients happen to have relocated abroad.

Policy implications

- Implement growth and jobs strategy:
 - Improve labour market flexibility to allow for quick adjustments
 - Foster innovation to create as many high-tech jobs as possible
 - Educate people so that they have the skills needed for the jobs of the 21st century
- Minimise social costs without hindering adjustments:
 - Foster lifelong learning
 - Promote active labour market measures such as job-search assistance, personal counselling etc.

- These measures are mainly for the national level, including national social partners. If any, only limited, supporting role for the EU level (Structural funds and Globalisation Fund)
- The current danger in the highly emotionalised climate surrounding globalisation and relocation is that the very elements which turn relocation into a win-win situation - flexibility and openness – will be undermined by protectionist pressures and thus make the situation much worse in the long run.
