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### **INTEGRATED PROGRAMME OF THE EUROPEAN SOCIAL DIALOGUE “JOINT STUDY ON RESTRUCTURING IN THE EU”**

#### **FINAL CONFERENCE 21 AND 22 JANUARY 2010**

##### **CLOSING PANEL**

**22 January from 12.15 to 13.00**

**ITUH Conference Room, Bd Albert II, n.5, B-1210 Brussels**

#### **ADDRESS BY PHILIPPE DE BUCK DIRECTOR GENERAL OF BUSINESSEUROPE**

##### **Introduction**

Ladies and Gentlemen,

This conference marks the end of an important joint study that has involved **26 national seminars between 2005 and 2009**. Alan Wild's report presents some very interesting conclusions, many of which I will echo in my intervention. This study has also provided the opportunity for bringing together over 800 social partner representatives to debate the issue, to look at the problems and how to solve them.

We hope both employers and trade unions will make full use of the report in our future work. This will be needed for us to address what Alan has identified as 7 themes to focus on. We are also confident that this will create a basis from which further dialogue and cooperation can develop among social partners.

The timing of this conference is also very good. It gives us the opportunity among social partners to discuss restructuring at a time when many companies are involved in restructuring processes as a result of the crisis. And more will follow, also after the crisis. As we prepare for recovery, we can expect that competition at global level will only intensify. In addition, changes related to the transition towards low-carbon economies will increasingly force companies to adapt.



## Restructuring and the crisis

Even though the signs of economic recovery are slowly emerging, many companies are still fighting for survival. There is often no alternative than to restructure in order to overcome the downturn and prepare for recovery. Companies are forced to readjust to cope with the present conditions.

The report has a case example in Luxembourg (*Montage Scwisstechnik Engineering, installations / construction*) which shows how vulnerable many companies can be, especially SMEs, during the downturn. This particular company had to reduce its workforce from 39 to 17 in under 6 months as there was simply no cash-flow to pay employees and very limited access to credit. It also illustrates that small companies often suffer from a lack of assistance through state support. These enterprises also often cannot afford expensive redundancy payments, retraining or job transition arrangements.

We must nonetheless acknowledge that overall the efforts of European enterprises to limit job losses and retain their workforce have been remarkable in this difficult period. We have for example shown a better talent for dealing with the recession than the US. Unemployment in the euro area has risen by about 30% while America's jobless rate has shot up by over 100% compared to pre-crisis levels.

## The role of social partners

There are a number of key issues raised in report that I wish to underline in particular.

1. Restructuring should be understood as a **dynamic and continuous process of adjustment** in the broader context of globalisation and technological change. Europe needs to embrace a more positive attitude towards economic and social integration and adapt to it instead of combating it. Timely and effective restructuring decisions have become a precondition for the success of companies.

**Restructuring must therefore not be associated with failure, or loss.** As the project has shown, there are many examples of restructuring that occur without major job loss. We have notably seen this in the national seminars with examples of organisational change, for example in France, Italy, Belgium and Sweden (*postal sector*).

In addition, while there are of course often social consequences, let us not forget that in the long run restructuring has produced good economic results leading to many new opportunities being created for workers (*10 million jobs created between 2005 & 2008*).

One of the case studies of the project is of a Danish SME, Codan Rubber, closing down operations in Denmark to improve the global competitive position of the company. Through the constructive participation of all actors during the process and a range of instruments deployed (*job days, individual counselling, (re)training, financial support, outreach schemes to local companies*), many workers successfully found new jobs in limited time.



2. The existence of a **good social dialogue in a climate of confidence** is an important factor to limit the negative social consequences of restructuring. It has been an effective channel to explain the reasons for change and achieve broader support for company decisions. It is of course better to build up relationships over time, so that they are embedded in local traditions, which can then lead to positive outcomes in difficult times. But there are also good examples, for example in Poland with the recent anti-crisis agreement, which show that a long history of social dialogue is not always a prerequisite.

The report shows that practices vary widely not only between but also within countries. Notions of 'best' and 'worst' systems or practices are not very relevant for practitioners. However, the key success factor is the relationships between social partners based on mutual respect and trust, from the national to the enterprise level.

3. **It is important that we do not park people in unemployment following restructuring.** The report clearly shows that job transition programmes on average produce better results than financial compensation schemes. Well planned job transitions will generate more opportunities for retraining and better reintegration into the labour market.

This brings me to flexicurity. I want to underline that **flexicurity is the right framework to deal with the consequences of restructuring** because the whole concept is based on enabling people to adjust and seek new opportunities. This is why European social partners contributed in 2007 to a balanced flexicurity concept through their Joint Labour Market Analysis. The implementation of flexicurity should allow companies and individuals to better adapt during transitions. This is crucial for the shift from 'job security' to 'employment security' and therefore requires a change of attitude.

This is true for transitions following downsizing processes but equally in cases where there are substantial increases in the workforce. There can quickly be skills shortages and the effective implementation of flexicurity should enable a better matching of skills supply and demand. Systems that can better react to changes will win out.

4. Another issue coming out from all the national seminars concerns **peoples' employability, adaptability and openness to change**. For individuals, it will increasingly dictate their prospects on the labour market. For companies, the availability of skills is more than ever a key priority. The EU's ability to remain competitive, to innovate and to become more productive will increasingly depend on its capacity to ensure a sufficiently strong skills base. This is a prerequisite to achieve sustainable growth.

However, the focus cannot be exclusively on higher skills. We must also make sure that effective lifelong learning policies reach the low- to medium-skilled segments of the workforce, who are most often hardest hit during economic downturns. All individuals need to be equipped to face transitions.



**5. Social partners should also be more forward-looking.** This is already the case in many contexts, but still not everywhere. On certain big, key issues, this is crucial: demographic ageing, skills matching and climate change, to name some.

The Commission has estimated that potential annual growth rates may almost halve given the projected decrease of the workforce by 50 million by 2060. It is therefore clear that our future success depends on our capacity to boost productivity and employment as well as better matching supply and demand for skills. Let us hope that the social partners at all levels will be tackling these challenges together wherever possible.

### **Concluding Remarks**

As highlighted in Alan Wild's report, we have collected, presented and discussed a vast array of information and data in the Member States. We have looked at different conditions, contexts and case studies.

The cornerstone to better anticipation and management of change is a shared understanding by social partners of the issues of each company involved. And – based on clear information – of the remedies that should be implemented.

We will continue our joint work at European level by exploring the roles of social partners in the implementation of flexicurity and assessing the impact of climate change policies on employment.

I would like to extend special thanks to Alan Wild for conducting the project and for persevering with the social partners for such a long time. I also wish to thank you, the national social partners. We have achieved a great deal in this project and that is thanks to your active participation throughout the process. I would finally like to thank the Commission, without whom this project could not have taken place.

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