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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

**UEAPME Position on the Communication from the Commission
Restructuring and employment**

**Anticipating and accompanying restructuring in order to develop employment:
the role of the European Union**

Introduction:

On 30th March 2005 the European Commission published the Communication “Restructuring and Employment – Anticipating and accompanying restructuring in order to develop employment: the role of the European Union”.

This communication, which mainly looks at European instruments in coping with economic change, constitutes at the same time the document for the second stage consultation of European Social Partners on:

- Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring: the first stage consultation took place in January 2002
- European Works Council Directive: the first stage consultation was organised in April 2004.

I - Remarks on the procedure

UEAPME would like to express its surprise concerning the procedure chosen by the Commission: one single consultation (second stage) organised on two different topics (restructuring and European Works Council) in the framework of a communication mainly dealing with EU politics and new Community initiatives.

UEAPME considers the way of mixing up new EU proposals with a second stage consultation as somehow confusing and inappropriate. This creates uncertainty on the Commission expectations on the outcomes of the double consultation.

In this context, UEAPME did not see any need for a second consultation, neither on EWC, nor on restructuring, since European social partners agreed in October 2003 on joint guidelines ‘Orientations for reference in managing change and its social consequence’ and more recently in March 2005 on a joint document called “Lessons learned on European Works Councils”.

II – General Remarks

UEAPME fully agrees that the issue of anticipating and managing change should be a priority in a context of economic globalisation and enhanced competitiveness, and therefore welcomes the launch of the debate from the EU point of view.

Nevertheless, UEAPME considers that in its communication the Commission should better differentiate the notion of economic and social change and of restructuring including in the title. Change has to be dealt at the macro-level while the process of restructuring which is foremost a company issue, has to be managed locally, at the enterprise level and can be facilitated by the support of local authorities.

In view of limiting as much as possible the negative consequences of change, the key element is to accompany change and to support the anticipation and management of it. In any case, trying to oppose change would be illusive and could lead to even more negative social consequences and end up in more job losses.

The analysis of the phenomenon proposed by the Commission rightly highlights the need for permanent adjustment between production activities and services. It requires a move towards a higher quality of jobs and therefore a higher growth for high skilled workers, what implies to invest in innovation understood in the broader sense and not confined solely to the technological aspects, and in human capital and to develop competences in line with the market needs.

The current mismatch of skills in Europe is still too high, therefore it is crucial to develop employability and to act early enough in order to prepare the evolution of jobs and competences.

Specific situation of SMEs

When it comes to change, SMEs have always proven their constant capacity to face and adapt to change thanks to their high degree of flexibility.

When it comes to company restructuring, they face greater difficulties because of their size and the direct financial commitment of the business owner. Moreover, in the case of restructuring of large businesses, SMEs working as subcontractors or suppliers lack external support.

- **In order to better anticipate and manage change, SMEs need:**
 - Clear and easily accessible information on sectors evolution, in order to enable them to anticipate and avoid crisis situations. This should be the task of professional organisations, chambers of craft and chambers of commerce and economic observatories.
 - True and effective support for having access to innovation, including access to applied research, networking, new work process, etc...
 - to reduce dependence on single big customers by supporting diversification of customers with the help of professional organisations
 - Tailored made solutions to develop the employability of the workforce through competence development and continuous training
 - Effective strategy to encourage ownership succession for SMEs and succession planning for existing viable family businesses

- **In order to successfully face company restructuring, SMEs need:**
 - Effective support of local authorities for training or retraining of employees
 - Effective support of employment services for reassignment of workers
 - Active support for business creation

III - Remarks on the content concerning the EU proposals

On the responses at Community level - the role of the European Union

1. Reinforced coordination of policies

UEAPME welcomes the willingness of the Commission to reinforce the coordination of Community policies to accompany restructuring process and change through measures that prevent negative repercussions at social level and ensure European labour resources are used properly. The creation of an internal task force within the Commission could certainly help to reach a better synergy between the different EU measures.

2. Reform of the European Employment Strategy

UEAPME has warmly welcomed the new integrated guidelines on Growth and Jobs, as the right follow-up to the mid-term review of the Lisbon Strategy. Some guidelines (specially n°20) are addressing the question of better anticipation and positive management of change including economic change in particular. The main challenge is now for the Member States to effectively transpose them at national level.

3. Reform of financial instruments and the role of the Structural Funds

UEAPME strongly supports the new focus of structural funds for 2007-2013 on the Lisbon Agenda. A good coordination and synergy between the ESF and the ERDF is more than necessary in order to, on the one hand anticipate and manage restructuring and on the other hand to help developing new activities through investments in R&D, dissemination of innovation and creation of infrastructures. Education and training programmes should also actively support the development of a knowledge-based economy.

UEAPME supports the principle of constituting a contingency reserve within the structural funds and to have a growth adjustment fund in order to intervene in case of severe unforeseen events in regions or sectors, under the strict condition that this fund will also be easily and fully accessible to SMEs, micro and craft enterprises.

4. Industrial and enterprise policy

Europe will never succeed without a good and efficient industrial policy based on a sectoral approach. European industry is not a single entity therefore a sector-based approach will make it possible to assess competitiveness factors more effectively. The anticipation of change, and the attention in the sectors likely to experience significant change in the short term is crucial. But this attention should not aim to artificially maintain activities with no economic future.

Moreover, the specific role and situation of SMEs should be clearly taken into consideration, in particular when it comes to innovation and new technologies. The so-called 'traditional' SMEs must be strengthened as well, despite the new trend to

focus on start-ups. All companies investing in new products, processes or services must increasingly be supported.

5. Competition policy

The reform undertaken by the Commission in the field of State aid is rightly aiming at refocusing on activities which contribute to long-term growth and employment.

Taking into account the importance of State aid to SMEs in the Member States, the new reform should include aid for viable small firms affected by industrial change. It should allow them to benefit from specific support measures in the areas of finance, training and innovation in a less bureaucratic way.

6. External policy

The social dimension of globalisation cannot be neglected, taking into account the level of interdependence of worldwide economies. Fair competition should be promoted based on the respect of individual rights, combating child labour and supporting conditions of social progress. Decent work for all is an important objective and should be promoted by the Commission and outside the EU borders.

Trade policy has a direct impact on European industry. The Commission should carefully evaluate the impact of WTO negotiations and agreements on the European economy and foresee specific measures to facilitate the transition for sectors directly affected by such trade agreements.

Strengthening the partnership for change

Local and regional levels have a major role to play in order to face the challenges of change and company restructuring, because the most meaningful way to manage the restructuring process and its social consequences is at local level.

It is to the enterprise (management and workers) to decide how to deal with internal restructuring. Nevertheless, in case of SMEs external support can play a decisive role. Therefore active partnerships are highly necessary at all levels and with different combinations, mainly at local, regional and territorial levels with the active involvement of sectors.

Sectoral social dialogue committees could have a clear added value in continuously monitoring initiatives as well as in informing and alerting the authorities and in particular the Commission for the new crisis fund.

But strengthening the role of sectoral social dialogue should be done in the full respect of the autonomy of sectoral social partners.

Several instruments can be more easily managed by integrating sectoral social partners. But these partnerships have to avoid agreements only on solutions which have to be financed by third parties.

The creation of a 'Restructuring' Forum

Before creating a 'Restructuring' Forum, the Commission should have better define its objectives, tasks, and functioning rules. UEAPME considers that bringing together the main stakeholders would be useful only if it leads to the creation of effective partnerships, which is more than doubtful at European level, and supports awareness-raising of the necessity to anticipate change.

It should also be organised in a way that all the synergies with the already existing structures, in particular European Monitoring Centre on Change, are exploited.

Adapting the framework of regulation and agreement

UEAPME considers it highly necessary to adapt the regulatory framework in the sense of a modernisation and simplification of labour law. It is essential to adapt labour legislation and review the level of flexibility provided by permanent and non-permanent contracts, as the Commission has rightly proposed in the new integrated guidelines (Guideline n°20).

UEAPME hopes that the future Green paper on the development of labour law announced by the Commission in the Social Agenda will lead to a true modernisation and simplification of rules and will fully integrate the necessity of less and better regulation.

IV - Reply on the second phase consultation of the European social partners on company restructuring and European Work Councils

According to the Commission, this second phase of consultation:

“ - Consists of calling on the social partners to become more involved in the ways and means of anticipating and managing restructuring.

- Should primarily consist of inviting the social partners to continue their ongoing work by encouraging the adoption of their best-practice guidelines on restructuring and European works councils”.

The Commission is therefore encouraging the European social partners to intensify ongoing work and to start negotiations with a view to reaching an agreement among themselves on the requisite ways and means for:

1. Implementing mechanisms for applying and monitoring existing guidelines on restructuring, and a discussion on the way forward;
2. Encouraging adoption of the best practices set out in the existing guidelines on restructuring;
3. Promoting best practice in the way that European works councils operate, with a view to making them more effective, more especially as regards their role as agents for change;
4. Devising a common approach to the other points in this Communication that are of concern to them, more especially training, mobility, the sectoral dimension and the anticipatory aspect.

Comments:

“Implementing mechanisms for applying and monitoring existing guidelines on restructuring, and a discussion on the way forward; encouraging adoption of the best practices set out in the existing guidelines on restructuring.”

As fully recognised by the Commission, European social partners have undertaken a number of major initiatives concerning the issues of managing change and restructuring and the question of EWC in the framework of enlargement following their Joint Work Programme 2003-2005.

In October 2003 on the basis of ten case studies European social partners have drafted joint “Orientations for reference in managing change and its social consequences”.

These orientations have been largely disseminated through the national members of employers’ organisations, in particular in the new Member States.

In the framework of the new “Integrated Programme on Social Dialogue” launched by the European social partners in the new Member States and supported by the Commission, one of the four specific actions is dedicated to the elaboration of national studies on restructuring in each of the 10 new member States.

In each country, the findings are discussed with the national social partners during a one-day seminar. At every seminar, the European social partners use this opportunity to promote the “Orientations for reference” through the presentation of the main lessons learnt.

Moreover, the 10 country studies on restructuring should be followed by a synthesis and a discussion among the European social partners and their members in order to identify common economic and social challenges in the EU 25 and to define priority issues for the EU and its social partners.

It should take place after the end of the integrated programme foreseen in June 2006.

“Promoting best practice in the way that European works councils operate, with a view to making them more effective, more especially as regards their role as agents for change.”

In the same way as they did for restructuring issue, European social partners have organised two seminars in order to have a better understanding of the real functioning of European Work Councils and draw lessons from nine case studies. The final document called “Lessons learnt on European Works Councils” has been presented at the Spring Summit in March 2005.

For UEAPME, one of the main lessons learnt from the case studies is that the full potential of the directive 94/45/CE concerning the institution of the EWC has not been exploited yet. This is even more accurate in the new Member States, where they are at the beginning of the learning phase.

For all these reasons UEAPME does not consider it necessary to revise the directive on EWCs.

“Devising a common approach to the other points in this Communication which are of concern to them, more especially training, mobility, the sectoral dimension and the anticipatory aspect.”

In the area of training, European social partners have adopted a framework for actions on the life long development of competences and qualifications. The three annual reports have already shown the dynamic created at national level through this initiative.

The ongoing evaluation launched by the European social partners should provide more elements on the impact at national level on workers and enterprises.

Moreover, UEAPME has regularly insisted on the use of Structural funds and in particular ESF in training and retraining people in the context of anticipating change.

The sectoral dimension is important when dealing with economic change. The creation of EU coordination mechanism could be helpful, but one should not forget

that the social consequences of change have their effect at local level and that they have to be primarily managed at the local level with the support of public authorities in close partnership with the national and/or sectoral social partners.

The question of mobility should be considered in a broader framework than only the portability of pensions rights. The decision to declare 2006 the European Year for Mobility is welcomed and should help to have an overview of the different types of difficulties and obstacles to mobility and present good practices in order to overcome them.

Conclusions:

Growth and employment are the main priorities in order to increase the competitiveness of the European economy and accompany change, which is at the heart of the economic reality.

If European enterprises want to remain competitive in a global economy, they have to cope with permanent adjustments. This means that enterprises and workers are confronted with the challenge of a permanent adaptation to change.

Social partners have a clear role to play in anticipating and managing change. In this respect, interprofessional European social partners have demonstrated their commitment to integrate this new dimension in their work programme. They will continue their ongoing work and ask the European Commission to fully respect the principle of their autonomy when taking any new initiatives in this field.

In this context UEAPME is open to any further discussions among social partners on this topic and will continue to promote the results of the work done.

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	<p>UEAPME is the employer's organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level.</p> <p>UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees.</p> <p>UEAPME is a European Social Partner.</p>
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