

## CEEP RESPONSE TO EUROPEAN COMMISSION'S GREEN PAPER "RESTRUCTURING AND ANTICIPATION OF CHANGE: WHAT LESSONS FROM RECENT EXPERIENCES?"

### Executive summary

- CEEP welcomes the European Commission's Green Paper "Restructuring and anticipation of change: what lessons from recent experiences?". However, European social partner consultation in accordance with Art. 154 TFEU before a public consultation would have been the preferred option because the restructuring work itself is closest to and foremost done by the social partners themselves at the work place level.
- Regarding Commission initiatives, CEEP would like to suggest a more interdisciplinary approach, taking into account the results of numerous previous studies and projects, such as the different EU Social Partners' and CEEP's projects mentioned in this response.
- CEEP strongly regrets the choice of wording from the European Commission in stating: "Public service, another important employer". As employers, CEEP members employ more than 30% of the workforce in the EU and Services of General Interests contribute directly to more than 26% of the EU GDP.
- It is obvious that the right framework conditions are important to enable successful industrial adjustment. For CEEP this includes a business climate attractive to investors, for instance by limiting regulations to the essentially necessary. It is also important that the proper framework conditions are in place at various levels. In our view, three specific levels can be identified and should be taken into account: The national/transnational level, the regional and local level and the enterprise/workplace level.
- CEEP would like to stress the importance of social dialogue at all levels with regard to restructuring and change. There are many stakeholders involved in change but the social partners through social dialogue can manage change.

### General remarks

CEEP welcomes the EC Green Paper "Restructuring and anticipation of change: what lessons from recent experiences?". From a general point of view, there cannot be any doubt that a public consultation on this topic inherently recognises that there are many stakeholders involved – not just the social partners – who have a legitimate interest in the management of change and that all the stakeholders need to work together on this topic. At the same time, European social partner consultation in accordance with Art. 154 TFEU before a public consultation would have been the preferred option because the restructuring work itself is closest to and foremost done by the social partners themselves at the work place level.

Regarding Commission initiatives, CEEP would like to suggest a more interdisciplinary approach, taking into account the results of numerous previous studies and projects, such as the different EU Social Partners' and CEEP's projects mentioned below in this CEEP response.

For CEEP it is clear that there are many good practical examples which have helped mitigate the effect of the crisis. It is however also the case that these practices have to be seen in the employment and social security context of the country in question.

The following EU Social Partners and CEEP projects and reports contribute to the whole topic of restructuring:

- [Final report](#) from the joint European social partner project on restructuring, completed in 2010, presents a series of ideas for consideration which demonstrate how specific social partner action plans to improve the process of restructuring at the European, national, sectoral and enterprise levels may be evolved.
- The CEEP project "[Change in Public Services: Fora for the improvement of expertise in restructuring](#)", started in January 2011. The objective was to promote expertise, exchange of information and good practices between public services providers, to develop tools to better anticipate and manage change and to develop a partnership to better tackle these issues in the future.
- In 2009 CEEP, with the support of ETUC and the sectoral social partner organisations in education, electricity, healthcare, postal services, public transport, railways and public administration initiated a project designed to improve expertise in anticipation, preparation and social support during restructuring in public services or services of general interest (SGI).

The project titled "[Anticipation of Change in Public Services](#)" was intended by the social partner organisations to focus in particular on the "anticipatory" aspect of the restructuring process. Based on several sectoral meetings, this project was useful to a.o. highlight five challenges that are either common to public services providers or that impact public services providers differently than other enterprises:

- Security of future investment of financing
- Change in the nature of demand: Public Services need to adapt to demographic change and societal change in the provision of their services
- Environmental issues
- Technological change
- Liberalisation and increasing competition

Regarding the Green Paper, CEEP strongly regrets the choice of wording from the European Commission in stating: "Public service, another important employer". As employers, CEEP members employ more than 30% of the workforce in the EU. This means that 64 million people in more than 500.000 enterprises provide essential services to 500 million Europeans. In addition, the main infrastructure networks (electricity, gas, post,

telecommunications, public transport, railway, water management, etc.) invest important sums of money into the economy. Their share in the total investment in Europe is about 6.4%, representing more than € 153 billion for 2006. According to the outcomes of CEEP's project "[Mapping of Public Services](#)", Services of General Interest contribute directly to more than 26% of the EU GDP.

As pointed out in the Green Paper, effective public services provide an important infrastructure for business development and citizens' quality of life. Private enterprises, including SMEs, depend to a large extent on the quality and affordability of public services such as transport and ICT infrastructures, education and training systems, employment and business support services.

As major employers we have the same interest as any other employer in anticipating the need to restructure and in effective management of the process. The current and future economic context following the ongoing crisis and globalisation brings with it pressure on governments to constrain public expenditure, while at the same time consumers of public services expect higher quality and more convenience and are often reluctant to pay higher taxes or higher prices for these services. In addition, political priorities and European and national competition rules have equally changed the framework for the provision of services of general interest.

Thus CEEP reiterates that it has to be left to the Member States to specify how public services have to be provided, and that European public procurement rules must respect this. Flexibility and efficiency in public procurement has great relevance for the further economic integration of Europe and the joint development of prosperity and quality of life.

Finally, when reading CEEP's responses to the different questions below, it is important to take into account that the questions and responses are interconnected with each other.

## **A. PUBLIC SECTOR RESTRUCTURING**

**How can anticipative and strategic long-term approaches to the management of change and restructuring be applied to the public sector, in the framework of the current consolidation measures and taking into account the specific characteristics of this sector?**

CEEP, as the representative of European public services employers, has a specific role to play due to several factors: For instance CEEP members as representatives of public authorities and enterprises responsible for territorial and social cohesion are very often in the frontline when it comes to alleviating the social and economic consequences of structural change.

Among other challenges the following should be stated:

- Public services employers are affected by restructuring in different ways: conflicting pressures resulting from regulation and budgetary constraints often requires managers of public enterprises and authorities to maintain or improve efficiency of the services provided; this may mean adopting new methods of work and/or new

management processes. All these changes have potential implications for workers and their jobs.

- Public services are of crucial importance for any economic and social development. In order to fulfill their role they have to be managed in the most effective way. At the same time they have to deliver the same or more with fewer resources.
- The need for modernisation of public services is acknowledged in most EU Member States, with all the specificities that this process entails. At the same time, providers of public services are confronted with somewhat opposite trends. On the one hand, they operate in a labour market growing faster than average and with more highly skilled workers than average. On the other hand, they are not always free to use all the potential of this market, due to external pressures. The demand for health and social care services, which are amongst the core services provided by public employers, will continue to rise at a rapid rate even when the population as a whole is reducing.

Core public services not only contribute to growth but also to the effective functioning of the labour market. Even though this trend may be reverted and public services employment levels may come under pressure in the coming years due to fiscal consolidation measures, there will be growing demand for these services. There must always be available, affordable high quality public services, both in times of economic crisis and afterwards when the market has been restored. It is essential to take this point into account when discussing both short and medium term reforms to restore growth in Europe. Restructuring must be handled in a long-term sustainable way.

## **B. LESSONS FROM THE CRISIS**

**Are the policy measures and practices outlined above in relation to restructuring, with special reference to short-time working schemes during the crisis appropriate? In what specific contexts? Are they able to cope with persistently weak demand? Finally, what can Member States, the Commission or the social partners do to exchange, disseminate and encourage wider application of the best practices in this domain?**

The European Commission in the Green Paper specifically points out the short-time working schemes that were used in several Member States and within different sectors. These have been successful in maintaining employment at a high level. However, short-time working schemes are not always possible. This is especially true for many public services employers delivering vital services to our European citizens around the clock.

Moreover, public services employers must maintain and develop their capacity in research and also in their production. In order to achieve this, it is important to foster training for workers within a wide range of sectors in order to maintain a competitive labour market.

From our point of view, it is crucial that social partners and Member States share and exchange practices. CEEP has in this respect been very active in promoting best practices from a European social partner perspective. We participated in the joint European social

partner Integrated Programme Project on restructuring lasting for several years and believe in reinforcing social dialogue at all levels. We also want to highlight the important role of public employment services in many of the measures undertaken during the initial phase of the crisis. Without the involvement of these public services the outcome would most likely not have been the same; there are numerous positive examples for this.

### **C. THE COMPETITIVENESS CHALLENGE**

**The Commission would like to hear views from stakeholders on the following questions:**

- What types of framework conditions are most appropriate in order to enable successful industrial adjustment?**
- What existing measures on access to finance to accompany structural adjustment constitute good practice?**
- What further measures need to be taken to improve bankruptcy proceedings?**

It is obvious that the right framework conditions are important to enable successful industrial adjustment. For CEEP this includes a business climate attractive to investors, for instance by limiting regulations to the essentially necessary. The right conditions must be in place for restructuring and creation of new working possibilities both where the actual restructuring takes place and elsewhere. Public services need socially sensitive restructuring approaches. CEEP members in processes of restructuring facilitate the management of change e.g. by: creating networks at local and regional level among all key stakeholders, such as employee representatives, other private employers, local and regional authorities, public employment services, local and regional development agencies and training providers and the chambers of commerce to secure the best possible outcome for their business as well as for their employees. This is an important element for good framework conditions for restructuring, but there need to be the right conditions for public employers to be able to contribute.

Furthermore, it is also important that the proper framework conditions are in place at various levels. In our view, three specific levels can be identified and should be taken into account:

- The national/transnational level
- The regional and local level
- The enterprise/workplace level

#### The national/transnational level:

- Various conditions such as labour law, active labour market policies, taxes and economic policies are having a huge impact on the labour markets at this level. Linked to this we would like to make the following comments:
- In order to set up economic and labour policies on a long term, a proper European framework to strengthen public services is essential.

- In the current economic context, with high public debt and decreasing public expenditure, governments should strive to foster investments with a long-term growth perspective. This could include improved education, training, active labour market policies in order to avoid long-term job seekers and also support for employers in order to retain employees at work by fostering, under agreements by the social partners, the transitions between jobs or working conditions (e.g. adjustment agreements, move from long term contracts to part time contracts, temporary reduction of working time, etc).
- Measures of protectionism must be balanced to take into account the fair (or unfair) competition between Europe and third countries. Thus, the import and export measures have consequences on the policies of the enterprises and the necessary restructuring.
- Taxes on labour are different between Member States and a reflexion could be launched to share best practices.
- Regarding financial markets, CEEP is of the opinion that cost of capital and the level of development and efficiency should be improved by the support of banks. Enterprises, and in particular SMEs, have difficulties to obtain this support which is necessary in order to create employment opportunities. In order to promote this, it is key that banks play their role and provide capital to investments.
- Investments in technology and R&D should be increased to support enterprises. This is well in line with the targets set out in the Europe 2020 strategy.

#### The regional and local level:

Public services at the regional and local level are essential to provide and develop infrastructures, telecom and R&D close to the enterprises. Taxes have an important impact on employment as well as to ease the access to accommodation, nurseries and so on.

In order to anticipate and manage restructuring, training and education for improving skills of the workers is a key approach. However, many enterprises including SMEs have limited resources to ensure training to their workers. In this respect, the role of regional and local authorities in facilitating access to training programmes is key.

#### The enterprise/workplace level:

The enterprise level is very important because the efficiency of tools proposed by public authorities should go hand in hand with a clear commitment for implementation of those measures by the management and labour at enterprise/workplace level.

Another concept to highlight in this respect is flexicurity. In order to make full use of flexicurity, a proper framework has to be in place. CEEP wants in this respect to underline the following:

- There has to be transparency in financing training within organizations, for anticipation of restructuring and for help to job seekers in order to establish a fair competition between enterprises.
- Where appropriate, adapted working time schemes, negotiated at enterprise level, are essential.
- Information and consultation of workers' representatives are important for restructuring.
- Under specific circumstances there should also be a possibility to temporarily adapt the work contract in agreement with the worker, while at the same time undertake training in order to put this worker in the best conditions to change his or her job.

#### **D. ADAPTABILITY OF BUSINESSES AND EMPLOYABILITY OF WORKERS**

**Is the anticipative approach feasible with regard to management of change and restructuring?**

**How can the existing orientations and guidelines on restructuring be improved in light of the lessons learned from the crisis and the new economic and social challenges? How can the lessons from the crisis be disseminated and implemented?**

An anticipative approach is feasible and necessary. It is in this respect important to highlight the specific situation of public services employers with regard to anticipation of restructuring. Putting aside the sense of urgency under which restructuring is taking place due to the ongoing crisis, on the contrary to maybe other employers, public services employers have a longer time horizon for planning and anticipate major changes. The demographic change is a concrete example underlining this, and CEEP members are already at the forefront in preparing for a big part of the older workforce retiring and also for the increased demand for public services in for instance health and social care.

Another proposal that could be promoted is to set up observatories for change in some sectors. These exist but our impression is that they are too "far" away from the enterprises. That is why the best placed to set up and run observatories on change, on a permanent and regular basis, would be the social partners themselves. However, the right framework conditions are not always in place in doing this.

#### **I) Anticipating restructuring processes**

##### **Long-term strategic planning**

**What could be done to encourage strategic long-term and innovative approaches to the management of change, including employment and skills issues, be encouraged? How can synergy be improved between companies, local authorities and other local actors?**

**How should specific responsibilities and roles be distributed among companies, social partners and public authorities be distributed in this field?**

Restructuring also includes of course at the organisational level and, at that level, to bring about changes and improvements. This also includes training of managers. As there are already legal provisions in place, public employers do not feel the need for a new regulation. What is needed is an increased understanding and knowledge of restructuring processes. Here experiences sharing between social partners and other stakeholders play an important role.

Training and lifelong learning for the employees, in order to be able to adapt to changes and go from one work to another is also crucial for a good restructuring process. It is here worth highlighting that adjustment agreements between the social partners at national level have an important role to play.

To manage restructuring effectively, several groups of actors at the individual, enterprise and societal level have to cooperate.

### **Early anticipation of employment and skills needs**

**How can effective practices for anticipating employment and skills needs within companies be further encouraged? How can training be developed as a permanent feature of human resources management?**

**How can synergy between action taken by companies and public sector initiatives be promoted to facilitate appropriate employment and skills policies?**

The issue of skills and skills mismatch of the current workforce and those needed in the future are common to public services. This is clearly stated in the final report from our previous project 'Anticipating Change in Public Services'. It is more important than ever to continue investing in skills upgrading and especially skills matching. A better match between jobs and skills is in CEEP's view based on a set of successive and related measures such as:

- Anticipating and understanding the evolution of each economic activity;
- Anticipating skills needs in each sector of the economy;
- Adapting the educational and professional qualification offer;
- Counselling students and employees taking into account the evolution of skills needs;
- Achieving actions towards acquiring, adapting and developing skills.

All these actions should be properly coordinated at local, regional, national and European level. It is also important to emphasise stronger cooperation between universities or research centres and enterprises and employers for better matching the skills of the workforce and job opportunities.

To ensure employability of the workforce comprehensive life-long learning strategies should be encouraged. CEEP firmly believes that we need every citizen to have sound basic skills. Vocational Education and Training systems (VET) must be tuned to the rapidly changing needs of the labour market.

In the light of the current demographic trend, CEEP also wants to stress the importance of promoting intergenerational cooperation. Young people can acquire new skills through

learning from experienced older workers. More emphasis should also be put on informal and skills learning.

CEEP has a particular interest in providing people with the right skills for employment: as providers of Services of General Interest, including education services, our members are at the forefront of ensuring that supply matches demand in the labour market. CEEP members thus have a key role to play in providing the current and future skills needed. Secondly, prior to the recession and to some extent throughout the recession, many of the services provided by our members are vital in the context of social and demographic change and have continued to grow in terms of their employment potential. It is therefore essential that education providers take on board the growing skills needs of the service economy. Finally, as employers and employer's organisations, CEEP members have a significant track record of providing innovative skills solutions and ensuring ongoing training provision and a commitment to providing employment opportunities, even in difficult economic times.

Public authorities have an important role in coordinating mutual means for information regarding training and available jobs in other sectors. This is done by providing knowledge on the practices of other sectors, by providing financial support to accompany restructuring process, by the management of institutions of mutual training in accordance with the social partners and by acting at the appropriate level to improve infrastructures that would support the effective operation of enterprises experiencing difficulties.

## **II) Preparing and managing restructuring**

### **Early preparation**

**How can companies and their workforces be encouraged to engage in early and adequate preparation of restructuring processes favouring acceptance of change? What best practices exist in this field?**

In order to engage early and to have an adequate preparation of restructuring processes several conditions are important. For instance, information and consultation between the social partners in the restructuring process.

Another condition is also to ensure regular training of the workforce in order to avoid skills mismatch.

The European Restructuring Monitor (Eurofound) provides an overview of examples of instruments supporting the anticipation and management of restructuring. Training and advice/counselling (for employees: implementation of contact points within the organisations/enterprises; financial resources; networking with other enterprises to identify employment opportunities for laid-off employees) are commonly types of public restructuring support. Furthermore, the provision of labour market information and support to get access to finance are important. The management of restructuring can be enhanced by working time flexibility, income support and matching activities for the affected workers.

Adjustment and transition agreements between social partners are an example of a useful tool to handle restructuring. These agreements have the objective to support employees that risk termination or have terminated their employment due to redundancy, on their way to a new job. Counseling and guidance, coaching, education, training, “training-wage”, internship or support for starting up a business are some of the activities that can be covered by the adjustment and transition agreement.

Moreover, it is also important that the different stakeholder in the society work together; social partners, local authorities and regions, education providers, employments services etc.

### **Mutual trust and shared diagnosis**

**To what extent can mutual trust and shared diagnosis play a role in good management of restructuring? How can this be promoted within companies and in broader contexts?**

Mutual trust and shared diagnosis is important for a sound restructuring process. See CEEP's answer to the question above regarding how this can be achieved

### **Minimising the social impact**

**What can companies and employees do to minimise the employment and social impact of restructuring operations? What role can public policies play in facilitating these changes?**

Regarding both headings: The role of communication (internal and external), participation, transparency, consistency, and timeliness is crucial for good management restructuring.

### **Minimising external economic, social, environmental and regional impacts**

**What can companies, local authorities and all the other stakeholders usefully do to minimise the regional impacts of restructuring?**

**How can companies affected as a result of the restructuring of another company be supported in their own adjustment process? In particular, how can SMEs be better informed and assisted in the restructuring process?**

On the issue regarding support for SMEs, CEEP would like to highlight the following:

- Shared services with other SMEs.
- Comprehensive systems have to be developed at regional, sectoral or national levels with the aim that municipalities, trade unions, trade associations, training centres work together.
- Promotion of job pools.
- Access to external assistance.

### III) Evaluation and reporting

#### **What role can evaluation and reporting of past restructuring operations play in increasing knowledge and improving stakeholders' practices?**

The sharing of restructuring experiences - to learn from each other through good examples, as well as less good examples - is important although these practises (as stressed by CEEP already in the introduction) have to be seen in the specific context of the country in question. The joint European Social Partner project on restructuring is a good example of learning from each other and increase knowledge. Further will however be done and it is important to directly associate actors from the enterprise level to such an exercise.

### IV) The role of social partners

#### **What role social dialogue could play in better disseminating and encouraging best practices for the anticipation and management of restructuring?**

CEEP would like to stress the importance of social dialogue at all levels with regard to restructuring and change. There are many stakeholders involved in change but the social partners through social dialogue can manage change. This is clearly highlighted in the European Social Partners' joint project on Restructuring in the EU. One of the fundamental findings of this major study was: 'Whatever the national framework for the management of change, we found that the active engagement of the social partners in the anticipation and management of change at all levels improved performance in the design of change management architecture and in restructuring practice'.

Furthermore, another overriding conclusion of the final Report was that although policy makers are often tempted to look at the portability of best practices, these practices must be seen in the context of the industrial relations system of a particular country. Especially in the case of restructuring national government administrations, political primacy of government and Parliament and its traditions have to be respected and cannot be overruled by European one fits for all structures. This need to be taken into account when looking at best practices which could have the aim to be "exported" around the EU.

The social dialogue must be promoted/fostered at all levels, European, national, regional, local and workplace/enterprise level.

### V) Reviewing passive protection

**While fully taking into account the huge differences between Member States in this regard, the Commission would like to hear the views of stakeholders (in particular national authorities and social partners' organisations) on whether some aspects of the employment protection systems need to be reviewed in the light of this intended transition towards anticipation and proactive protection of employment.**

From a socio-economic viewpoint it is of great importance that social partners in public services assess together in which ways unemployment benefits and schooling measures can support the transitional labour market, more preventive proactive investments of available

means and also training directed at professional change for those employees where unemployment is foreseeable.

Nevertheless the income-protection function of legal and supplementary unemployment benefits is always of great importance and ought not to be restricted or reduced too much. Without such provisions, employees might be less willing to look for alternative employment in time, because of the income related risks of such wrongly timed decisions where the price has to be paid by the employee alone.

Job-changes are necessary to realize the needed mobility on the labour market. The key-point is therefore to find the right balance between a flexible labour market with more transitions between sectors in the economy and sufficient income security to ensure the durable offer of labour in this process.

#### **E. THE ROLE OF REGIONAL AND LOCAL AUTHORITIES**

**How can a supporting role be encouraged for public authorities, particularly at regional level, in anticipation processes, as well as in particular restructuring events, taking into account differing national traditions regarding the involvement of public authorities in company-level processes?**

For this question we would like to refer to answers already stated above. But there cannot be any doubt that the role of regional and local authorities is important. Therefore, a framework for anticipatory measures with the involvement of regional and local authorities could be envisaged. This could include:

- Involvement of regional and local authorities in observatories on employment, on new definitions of jobs, on skills needs, on trend in the different sectors, etc.
- Involvement of regional and local authorities in the monitoring of information on employment at the regional level (new jobs, lost jobs, enterprises in difficulties, enterprises that create employment, etc.)
- Organisation of training programmes in partnership with enterprises, with the specific focus on anticipation of skills needs.