

ARITAKE-WILD

**Joint Project of the European Social Partner Organisations
“Study on Restructuring in new Member States”**

**Note of the “Project Synthesis Seminar” held in
Brussels on 26th and 27th June 2006**

**The present report represents an expert view and does not necessarily reflect the view
of the European Social Partners**



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INTRODUCTIONS, PROJECT OVERVIEW & BACKGROUND INFORMATION

1. The “project synthesis” seminar associated with the joint project of the European social partner organisations was held in the auditorium of the ETUC in Brussels on 26th and 27th June 2006. It was attended by more than 170 representatives of social partner organisations from the study group of the ten new Member State and from the “EU15”.
2. Alan Wild opened the seminar by welcoming those present and introducing himself as the expert coordinator for the project and chair of the two day meeting. He explained that the purpose of the seminar was to discuss the synthesis report circulated prior to the seminar in order to shape the content of the final report to be discussed by the European Social Dialogue Committee in November. By using a combination of expert presentations, prepared interventions by selected “discussants”, extended open forums and panel style summaries, the meeting would be as interactive as possible given the number of attendees. The agenda for the meeting is attached to this note as appendix one.
3. Maria Helena André (ETUC) outlined the project objectives and methodology. Her presentation materials are attached as appendix two.
4. Alan Wild (expert coordinator) presented a comprehensive overview of economic and labour market indicators in the study group of ten new Member States. His presentation materials are attached as appendix three.

THEME ONE – ANTICIPATING AND HANDLING RESTRUCTURING

5. In the absence through illness of Michal Kurtica (project expert), Alan Wild presented the first of the major themes contained in the report – “anticipating and handling restructuring”. His presentation materials are attached as appendix four. His presentation was followed by prepared “discussant comments”, an open forum and panel discussion. A summary of these interventions is provided below.
6. During the course of the “theme one” discussions, the EU Commissioner for Employment, Social Affairs and Equal Opportunities, Vladimir Spidla made an intervention on the broad subject of restructuring. His presentation is reported at the end of this section.

Discussant comment – Jacek Mecina PKPP Lewiatan (Poland)

Jacek Mecina considered the subject in the context of the situation in Poland.

The restructuring process in Poland has been a costly and complex legal and economic process. The majority of the EU aquis has now been adopted. Critical elements of the restructuring process to date have been the transformation of ownership and inward flows of foreign direct investment.

The process of restructuring in Poland has been controversial. Restructuring took place at the same time as a downturn in the world economy. There have been

significant successes in the telecom, IT, chemical and pharmaceutical industries. The agricultural sector is largely made up of privately owned, but small, farms – there remains however a problem in the conversion of large state owned farms. This process has proved to be slow and rather complex. The process of restructuring in strategic sectors such as mining and energy are just beginning.

Over-employment in the restructured industries has led to large layoffs. Many low skilled workers who have lost their jobs have not been able to return to the workplace. Low regional mobility is also a problem as the high cost of living in cities prevents people from migrating from areas of particularly high unemployment.

In Poland, the system of continuous learning has proved inadequate and more needs to be done to increase access to life long learning and retraining schemes.

Social dialogue began at the same time as the restructuring process and sectoral tripartite commissions have been created. Social dialogue is generally working well in most sectors however it is only really effective in those sectors that have resources to adapt to change. “Best practice” Polish models exist - good examples are the “out placement” programmes that exist in certain sectors.

Solutions to Poland’s structural unemployment problems are not to be found in financial compensation for lost jobs. Robust systems for retraining, lifelong learning and company level social dialogue are needed.

SME’s are developing in Poland but as yet they do not create jobs in sufficient numbers to balance job losses in the industrial sectors. Additionally, high social security costs increase the cost of employment creation and fuel undeclared work.

An important issue Poland must face is the combination of an ageing population and the loss of active people to more developed economies. This results in reducing contributions to, yet greater demand from, pension schemes.

The key to successful social dialogue in restructuring is to begin early. Both employers and trade unions have a responsibility to co-operate as delays lead both to increased layoffs and increased costs. Restructuring is inevitable but co-operation is fundamental to finding solutions.

Discussant comment – Preben Foldberg LO (Denmark)

Restructuring in the study countries began in the transition from “state controlled” to “free market economies”. It continues as the West faces competition from developing economies such as India and China.

To be effective, trade unions need to predict future problems early, and provide personal guidance and retraining for those affected. The Nordic countries are developing their own early warning system.

Retraining and ongoing education are priority activities. More needs to be invested in training and retraining to suit the new work environment. Strategies need to be developed at national and EU level to enhance the knowledge economy.

The Danish experience of losing its textile industry proves that competing on the basis of low wages is not the answer to preventing industry relocations. Competitiveness can only be attained through innovation in companies and job replacement schemes. State aid to failing companies is not the answer. The concepts of “flexicurity”, retraining, collective bargaining and the right to ongoing education are important factors for success. The challenge to globalization will only be met through education.

“Losing jobs is not the problem, failing to create them is”.

7. In a wide ranging open forum session, the following issues were raised;

- The recent history of the Polish trade unions in national politics has influenced their role in restructuring and there are examples of success in difficult circumstances e.g. in the steel industry. It is clear that restructuring is part of the permanent process of change. In thinking how to deal with the future, collective bargaining and education and training will be the most important issues;
- Focussing too much on privatisation as a reason for restructuring is a danger (this point was subsequently repeated a number of times). Privatisation was simply the trigger for major change. It is also a concern to hear allegations of “double standards” being practiced by employers. The responsibility of employers is to behave appropriately in the context of national laws (this issue was also referred to later by both sides of the social partnership);
- The question of regional variations in unemployment associated with the decline of heavy industry cannot be understated. In many of these areas social dialogue remains difficult and there has been little or no success in employment creation;
- The study provides food for thought for all countries. In Malta the current tri-partite process is under review. Employers, trade unions and government need to adopt a more flexible and responsive approach to the replacement of lost jobs. Public/private partnerships can play a positive role and support for the creation of SME's is crucial. Early sharing of information is vital to avoid discussion always taking place against a background of anxiety;
- At the European level the concept of flexibility needs to be defined and has to be embraced in a positive way. However in Slovenia 20% of workers are on temporary contracts and the number of women working as “temps” is increasing;
- The European Transport Federation referred to restructuring due to liberalisation rather than privatisation. They reported that a social impact assessment associated with restructuring has been undertaken and the results are not optimistic. Social impact assessments should guide “joined up thinking” between “employment” and “liberalisation” policies. Social sustainability is as important as environmental sustainability;

- The report does not take a critical view of privatisation. The state should be more, rather than less, involved in strategic sectors like energy. Liberalisation is a better description of what needs to happen rather than privatisation and the elimination of public ownership;
- Globalisation is the driving force behind restructuring. A combination of appropriate financial compensation, training and retraining, and the adoption of social plans through collective agreements can soften the blow of restructuring. In this way the Polish mining industry was restructured effectively without the kinds of problems witnessed in the UK under the Thatcher Government;
- The study section dealing with Latvian employment laws reflects more the opinion of the employers' federation than others involved. Privatisation of services in Latvia has resulted in increased prices without commensurate improvements in service;

8. Reflecting upon the issues raised, three panellists summarised the discussion of “anticipating and handling restructuring” as follows;

Panellist comment – Roberto Suarez CEOE (Spain)

Three points are critical to successful restructuring;

- The extent to which the social partners are able to anticipate micro and macro economic trends. The capacity, professionalism and infrastructure of the social partners must be up to the task;
- Social dialogue works well only in an atmosphere of trust. Generating and maintaining trust takes an enormous effort;
- The social partners need to have capacity to change popular attitudes in a way that is more favourable to change. Employers have to be more positive and trade unions more realistic.

Panellist comment – Vladimir Mojs KOZ SR (Slovakia)

Looking specifically at the Slovakian experience, the following challenges should be noted;

- Restructuring has taken place in the absence of a long term plan for the economy;
- The country fears that the current concentration on the Automobile assembly industry is too great and too risky;
- The knowledge economy does not really exist and the long term sustainability of FDI is therefore questionable;
- The absence of a system to re integrate displaced workers into the economy has resulted in the labour force having little confidence in the government in the area of employment;

- Acute regional problems will only be resolved through decentralisation, more regional support and changed tax policies.

Panellist comment – Karoly G Toth STRATOSZ (Hungary)

- More attention should be devoted to the modernisation of social dialogue. Social dialogue today is stagnant and slow to adapt. Social dialogue should be a proactive rather than reactive process;
- Lifelong learning is essential ... but for the idea to become a reality an effective institutional framework is required to foster both lifelong learning and the knowledge economy;
- More focus should be placed on the positive role of SME's.

9. During the course discussion of theme one, EU Commissioner Valdimir Spidla made the following general intervention on the subject of restructuring;

Intervention of Commissioner Spidla

The Social Partners may perceive restructuring to be a threat but it is inevitable and will accelerate under the influence of globalisation and competition. India and China are emerging as true world powers.

I personally witnessed a positive case of restructuring in Polan where the closure of a large wood company was accompanied by the retraining of the workers affected. This experience makes me believe that we can all be influential players in the challenge of limiting the negative effects of restructuring.

At the EU level, structural funds play a key role for marginalised regions ... as will the creation of a Restructuring Fund. A continuing challenge for the EU is to find effective ways to combine flexibility with security – “flexicurity”. Internal and external flexibility for employers need to combine with more secure rules and regulations to protect workers. In the national context flexibility and security need to be understood together.

There are three key questions for the social partners;

- *How to build on the orientations on restructuring;*
- *How to develop the role of European Works Councils;*
- *How to improve anticipation, adaptability, training and mobility.*

15 years of economic transition have already borne fruit in increased growth and productivity in the “EU10”. Continued and in depth restructuring is still necessary and more support is needed from the EU in the following areas;

- *More investment in human capital so that the skills available more closely meet the demands of the labour market;*
- *Social protection systems need to be adapted;*
- *Strong regional policies are needed to decrease disparities between regions;*

- *Worker mobility must be better supported through improving infrastructure like transport networks and housing availability.*

The 10 new members need to develop “anticipation” and “partnership” measures to ensure good practices are adopted.

In establishing a balance between a competitive and social Europe, the key issues for the social partners will be retraining and life long learning; better anticipation; remembering that they can have a positive influence; and the development of positive partnerships.

THEME TWO – PREDICTING AND COPING WITH THE LABOUR MARKET EFFECTS OF RESTRUCTURING

10. Karoly Jokay (project expert), presented the second of the major themes contained in the report – “predicting and coping with the labour market effects of restructuring”. His presentation materials are attached as appendix five. His presentation was followed by prepared “discussant comments”, an open forum and a panel discussion.

Discussant comment – Jorgen Ronnest – DA (Denmark)

The continuing need for restructuring is the same in the “EU15” as it is in the ten New Member States. Ongoing restructuring is inevitable and a positive attitude toward “managing change” should be adopted.

The example of the Crystal Ice Company of Chicago was cited. A technologically advanced (at the time) market leader found its existence undermined by the invention of the refrigerator. The moral is that continuous innovation in companies and the retraining of workers for other jobs are the most important issues. There is no such thing as a job for life anymore.

Companies that fail to restructure early enough face the most problems. Anticipation is important for individuals, governments, companies and social partners if they are to prepare for shifts in the job market. This needs to be backed up by a system of appropriate labour laws and education and training facilities.

In a time of continuous change there remain significant institutional penalties to mobility. The very common concept of seniority for example dissuades individuals from changing companies and sectors as they stand to lose significant benefits and protections.

Discussant comment – Arturas Cerniauskas LPSK (Lithuania)

The pace of change in Lithuania has been extreme. Restructuring is the only way forward and the process is inevitable and ongoing.

Whilst Ignalina is a good example of best practice restructuring in Lithuania, elsewhere

the practice is patchier. Some companies do not respect their obligations to consult and recourse must be through the courts. Others engage positively with the trade unions.

Lithuania's largest problems lie in the preparation of workers through the education system and lifelong learning. The system produces plenty of managers and lawyers but few skilled workers. There also appears little motivation to work in areas like North Lithuania and high rates of marginal taxation make "envelope working" a widespread practice.

11. In a wide ranging open forum session, the following broad issues were raised;

- A repeated concern from many participants was the failure of the higher education system to prepare graduates sufficiently for the needs of industry and the absence of effective systems to provide the skilled labour needed in the building and metalworking industries. Politicians were criticised for attempting to shift the responsibility for training and retraining exclusively onto the employer when it should be a shared responsibility between government and the social partners;
- The ability of social partners to play an influential role was explained to be very much dependent on the attitude of the government to social dialogue;
- Employers are often willing to engage in social dialogue. The negative image of business should be addressed. There is a need to highlight the successes as well as the problems;
- The seminar participants discussed at length in a number of interventions the combination of high levels of outward migration and low levels of regional mobility. The non availability of affordable housing and adequate transport infrastructure were commonly voiced concerns.
- SME's were identified as crucial to employment growth. More support needs to be given to small business if it is to fulfil its potential. The current situation in many countries is not conducive to supporting the transition of SME's from the informal to the formal economy;
- A number of interventions pointed to the extent and the damaging effect of a significant volume of undeclared work.

Commenting specifically on the content of the dossier, the following points were made;

- Caution should be taken when using data on labour law rigidities. The evidence of the World Bank and the ILO are often contradictory;
- The data on higher education in Malta provided in the synthesis report does not correspond to that available nationally. The university population has increased dramatically since the 1980s. In general there was too little in the report on the two Mediterranean region countries;

- The report does not sufficiently acknowledge the role public services play in providing vocational education, the quality of transport and communications infrastructure. Scandinavian countries offer a lesson through their ongoing high investment in public services.

12. Reflecting upon the issues raised, four panellists summarised the discussion of “predicting and coping with the labour market effects of restructuring” as follows;

Panellist comment – Andreas Matsas – SEK (Cyprus)

As in other countries restructuring in Cyprus is a continuous process. Three issues dominate the agenda;

- National competitiveness;
- Productivity improvement; and
- Difficult demographics.

The Cypriot social partners have differing definitions of restructuring and therefore the effectiveness of the tripartite structure in managing change is impaired.

Future change plans will be dominated by three issues;

- The introduction of the Euro;
- Political problems associated with a divided Cyprus;
- The economy’s dependence on tourism.

More investment is needed in vocational education and training in order to reduce the reliance on immigration from low wage countries and the informal economy.

Panellist comment – Maria Cronin – IBEC (Republic of Ireland)

Restructuring is an inevitable part of economic management and requires the ability to anticipate and make to change positive. The fast pace of change makes building the capacity to do this a priority.

Education and training are keys to success and need to be business led in partnership with relevant institutions. The social partners and the government need to work together to reduce the size of the informal economy by developing effective taxation systems and incentives.

The example of Ireland is important for the study countries as it has significantly reduced the volume of undeclared work and now benefits from the return of experienced ex-emigrants. Today Ireland is a net beneficiary from inward migration with 8-9% of the workforce being non-Irish.

Panellist comment – Vladimira Drbalova - SPCR (Czech Republic)

There still remain important differences in context between the study group and the “EU15”. Even within the study group, privatisation experience in the CEECs is quite different to that of Malta and Cyprus. Nonetheless there is today an increased awareness of globalisation issues and the challenges faced are becoming similar to the

EU15.

The road map to success is clear, but to meet the challenges there is a need for capacity building to improve the social partners' ability to anticipate and adapt to change. There is a need for more transparency in the social dialogue ... but this to an extent depends on the national political climate.

Panellist comment – Vincenzo Lacorte – CGIL (Italy)

The synthesis report contains many parallels with the Italian experience.

To understand the dynamics of restructuring the social partners need to understand the internationalisation of large companies who have many components of their operation in different locations. The loss of a large company can have ripple effects to the prosperity of an entire region affecting transport services and supplier businesses.

As the rules of international competition change it is important to decide what kind of competitive model is wanted in Europe. In the absence of such a model there is no capacity to anticipate and manage change effectively.

Much has been said about retraining but it should be recognised that this takes years to become effective. Managing transition will remain a key issue.

13. Following discussion of theme two, the leaders of the four European social partner organisations made the following summary comments;

Philippe de Buck
Secretary General
UNICE

Restructuring is inevitable and necessary for growth and job creation. Competitiveness is the key to success.

Continual restructuring can be painful and is generally perceived negatively. The role of social dialogue is to minimise both the pain and negative perceptions by better anticipation and management of change. These challenges fall at the company, the national and the European levels.

For the study countries the challenges are to;

- Complete the market economy transition;
- Make the readjustments necessary to adapt to the EU aquis ;
- Meet the challenge of globalisation, technological advancement and ageing populations.

This will be an ongoing learning process for everyone but the current series of projects aimed at integrating the EU10 into the internal market can be described as having been successful.

Rainer Plassman

There are territorial and managerial dimensions to the

<p>Secretary General CEEP</p>	<p>question of restructuring and the synthesis paper probably raises more questions than answers. The document is too descriptive and it fails to provide answers.</p> <p>Regional differences are the result of how infrastructure has developed. Infrastructure in its widest sense is vital and the state still has a guiding role to play especially in the role of public services. The “EU15” must be very careful to avoid “colonisation” of the “EU10”. At the other end of the scale, SME’s are an engine for growth.</p> <p>It will be important to understand why people in the “EU10” perceive restructuring as something that needs to be done, whilst in the “EU15” the perception is that there is something to be lost.</p> <p>Concrete and pragmatic solutions are needed to offset the effects of restructuring. We need to better understand the local and regional consequences ... and solutions will only be found in local and regional contexts.</p> <p>Networks need to be developed to work on solutions and there needs to be a more concrete vision to manage this process.</p>
<p>Hans-Werner Müller Secretary General UEAPME</p>	<p>The role of SMEs has long been neglected. They should be the “shock absorbers” in the change process. The informal economy is not just a tax problem ... the role of the informal economy needs to be reconsidered.</p> <p>Going forward;</p> <ul style="list-style-type: none"> ➤ The adoption of the aquis will provide a framework; ➤ Investment in education and ICT will be vital; ➤ Key institutions must be strengthened effective networks created. <p>The theory that the loss of one job causes the loss of two more can be reversed ... the creation of one job can lead to the creation of two more.</p>
<p>John Monks Secretary General ETUC</p>	<p>The ETUC see this project to have been very worthwhile, with the results being worth the considerable effort involved.</p> <p>The key to successful social dialogue is the ability to have a genuine influence for the better not an exercise in opposition.</p> <p>The role of the public sector, as described by Rainer Plassman, will be important.</p>

The overall exercise has highlighted certain important principles;

- The importance of ongoing learning;
- The important role of public authorities – we cannot solely rely on the private sector;
- Timing is vital. Providing information and engaging in dialogue as early as possible in the change process;
- The need to build social dialogue relationships based on trust – adversarialism grows out of situations where there is no trust;

For the social partners, trade union leaders need to take account of the lessons of history and provide responsible leadership. The challenge for employers is to act as ambassadors of the “European way” wherever they are.

14. At the end of the meeting Thérèse de Leidekerke thanked those involved in attending and organising the national seminars; the experts that had provided the materials for the discussion; the European level organisers of the project and this seminar; and the interpreters for making a meeting of so many languages a success.

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Joint Project of the European Social Partner Organisations

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Appendices

Appendix one	Agenda for the project synthesis seminar
Appendix two	Presentation materials - Maria Helena André “Project objectives and methodology”
Appendix three	Presentation materials – Alan Wild “Overview of economic and labour market indicators in the ten Member States”
Appendix four	Presentation materials – Alan Wild “Anticipating and handling restructuring”
Appendix five	Presentation materials – Karoly Jokay “Predicting and coping with the labour market effects of restructuring”