

# Procedure file

Basic information		
INI - Own-initiative procedure	<a href="#">2005/2188(INI)</a>	Procedure completed
Restructuring and employment		
Subject 4.15.05 Industrial restructuring, job losses, redundancies, relocations, Globalisation Adjustment Fund (EGF)		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>EMPL</b> Employment and Social Affairs		20/04/2005
		PSE <a href="#">COTTIGNY Jean Louis</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>ECON</b> Economic and Monetary Affairs	The committee decided not to give an opinion.	
	<b>ITRE</b> Industry, Research and Energy	The committee decided not to give an opinion.	
	<b>IMCO</b> Internal Market and Consumer Protection	The committee decided not to give an opinion.	
European Commission	Commission DG <a href="#">Employment, Social Affairs and Inclusion</a>	Commissioner	

Key events			
27/10/2005	Committee referral announced in Parliament		
25/01/2006	Vote in committee		Summary
10/02/2006	Committee report tabled for plenary	<a href="#">A6-0031/2006</a>	
14/03/2006	Debate in Parliament		
15/03/2006	Results of vote in Parliament		
15/03/2006	Decision by Parliament	<a href="#">T6-0088/2006</a>	Summary
15/03/2006	End of procedure in Parliament		

Technical information	
Procedure reference	2005/2188(INI)
Procedure type	INI - Own-initiative procedure

Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/6/30315

## Documentation gateway

Document attached to the procedure	<a href="#">COM(2005)0120</a>	31/03/2005	EC	Summary
Amendments tabled in committee	<a href="#">PE364.723</a>	25/10/2005	EP	
Economic and Social Committee: opinion, report	<a href="#">CES1495/2005</a> <a href="#">OJ C 065 17.03.2006, p. 0058-0062</a>	15/12/2005	ESC	
Amendments tabled in committee	<a href="#">PE367.824</a>	11/01/2006	EP	
Amendments tabled in committee	<a href="#">PE367.920</a>	19/01/2006	EP	
Committee report tabled for plenary, single reading	<a href="#">A6-0031/2006</a>	10/02/2006	EP	
Text adopted by Parliament, single reading	<a href="#">T6-0088/2006</a>	15/03/2006	EP	Summary
Commission response to text adopted in plenary	<a href="#">SP(2006)1725</a>	19/04/2006	EC	
Commission response to text adopted in plenary	<a href="#">SP(2006)1999</a>	30/06/2006	EC	

## Restructuring and employment

This Communication looks at the role of the EU in anticipating and accompanying restructuring in order to develop employment. The prosperity of European citizens depends on economic players and workers adapting rapidly to the current far-reaching socio-economic changes, which are translating into the creation of new economic activities, but also into the contraction, or even disappearance, of existing jobs. At the same time, the restructuring of enterprises often entails costs that can be very high, not only for the workers concerned but also for the economy. The preservation of social cohesion, which is a distinctive characteristic of the European social model, requires the introduction of accompanying policies designed to reduce the social costs to a minimum and to promote the search for alternative sources of jobs and income. It is therefore essential to ensure that restructuring is well-managed so as to meet a two-fold economic and social requirement. It is vital for enterprises to adapt to change: if enterprises conduct these operations rapidly, their competitiveness can be enhanced.

Moreover, the intention to preserve the employability of workers and to facilitate their transition to another job of equivalent quality has an economic impact by taking advantage of one of the main competitive assets of the EU, namely the quality of its workforce, which is the guarantee of future growth.

This Communication sets out the measures to be developed or strengthened around the means that the Union can mobilise to this end through cross-cutting and sectoral action. When these measures are implemented, it is necessary to limit as far as possible the burdens imposed on enterprises, while ensuring improved anticipation and management of restructuring operations.

The Communication analyses the phenomenon of restructuring, which it defines as the form taken at enterprise level by the permanent reshaping of the fabric of production under the effect of numerous factors. It looks at the creation of the European single market and the opening up of economies to international competition. The development of the regulatory framework is resulting in changes on product and labour markets. Major changes in consumer demand are also occurring. The reconstruction of the fabric of production entails permanent adjustments which has both quantitative and qualitative aspects, outlined in the Communication.

Clearly, most of the concrete responses to the present challenges occur at sub-European level. For its part, the EU has useful levers at its disposal. It has an important role to play in three areas:

- through the cross-cutting policies it pursues, coordinates or promotes, it helps create the conditions for long-term economic and technological development and facilitates the anticipation of change;
- by endowing itself with adequate capacity to identify sectoral developments and instruments for reacting to unforeseen events with a concentrated impact in certain sectors or regions, the European Union promotes effective coordination among all stakeholders;
- by recognising the role which the social partners can play in anticipating and managing change, it gives them the opportunity to play a positive part.

The Commission firmly believes that restructuring must not be synonymous with social decline and a loss of economic substance. On the contrary, restructuring can underpin economic and social progress but only if such measures are correctly anticipated, and provided firms can manage the necessary change quickly and effectively, and provided public action helps ensure that the change is carried out in sound conditions.

Policies aimed at blocking change and freezing economic structures can only defer the problem and exacerbate the negative effects. They would tend to slow down innovation and lead to a loss of competitiveness on the part of European companies. Additionally, policies which would in effect make workers less employable would have grave effects on growth potential and social cohesion.

It follows that the response at Community level must focus on four essential requirements:

- A need for consistency between the various policies, if growth and the ensuing restructuring are to avoid destroying human capital.
- A need for a long-term perspective encompassing the various Community policies. If the economic and social players are to act effectively, they need to be able to see the way ahead.
- A need for participation on the part of all the stakeholders, first and foremost the social partners.
- A need to pay heed to the local dimension ? it is, after all, at local level that anticipating change is most effective. Looked at from this angle, the European Union's regional and cohesion policy must act as a catalyst.

## Restructuring and employment

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The committee adopted the own-initiative report drawn up by Jean Louis COTTIGNY (PES, FR) in response to the Commission's communication on restructuring and employment. It welcomed the Commission's decision to opt for a "global, transversal approach" to this issue. MEPs agreed with the Commission that restructuring is not necessarily synonymous with social decline and a loss of economic substance provided that such measures are correctly anticipated and effectively managed through proper collaboration between the affected firms and trade unions, plus a suitable training policy for workers. However, they stressed that "these conditions are not often present". The report added that business restructuring should only take place in order to save jobs or improve the competitiveness and the economic development of firms. Faced with "immoral or predatory tactics", the Commission should make use of the possibility of mediation at European level through a group of independent ombudsmen.

MEPs said that, since the EU was responsible for opening up the market, it had a duty to put in place the "necessary financial resources to anticipate better and accompany restructuring and mitigate its social consequences". They wanted to see particular support given to SMEs in this context, mainly via the structural funds, as such businesses were all too often overlooked. They also proposed that the financial programmes under discussion for 2007-2013 should be geared more closely to anticipating and managing restructuring and that the structural funds should be allocated "a budget adequate to this task".

The committee stressed that dismissed employees were the first victims of restructuring and said that "priority aid should be given to them in all cases". It also drew attention to the "hidden effects" of restructuring, such as medical and psychological problems affecting workers who are directly threatened by redundancy, as well as the high mortality rate among such employees during the first five years following their dismissal. The report called for aid for training and re-training for workers who are made redundant to be given as quickly as possible.

Calling "for better monitoring and better traceability of the use of Community funds", MEPs noted that funds are sometimes diverted to related, speculative or administrative purposes and used to fund relocations. To prevent "subsidy tourism", they said that firms subsidised from EU funds should not receive any further Community aid for a given period of time if they relocate part or all of their activities within the EU. In addition they should be required possibly to reimburse aid.

Lastly, the report called on the Commission to propose a "European one-stop shop" for all citizens, local authorities, social partners and businesses affected, enabling them to find information on the problems related to restructuring, on the opportunities which exist for anticipating and properly managing restructuring, and on their rights and obligations.

## Restructuring and employment

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The European Parliament adopted a resolution based on the own-initiative report drafted by Louis COTTIGNY (PES, FR) on restructuring and employment. (Please see the summary of 25/01/2006.) It agreed with the Commission that restructuring is not necessarily synonymous with social decline and a loss of economic substance provided that it is properly anticipated, that firms can manage it in dialogue with trade unions, that anticipatory measures at business level together with public action help ensure that the change is properly carried out and that businesses prepare for restructuring by providing ongoing training for their workers. These conditions are not often met.

Business restructuring should only take place if warranted by the circumstances, namely in order to save jobs or improve the competitiveness and the economic development of firms. Continual processes of adaptation to changing circumstances are unavoidable if businesses are to develop. Accordingly, it is important to explain in good time to workers the need for changes, and to take the interests of the workers into account.

While the success of restructuring is certainly measured in terms of businesses' competitiveness and innovative capacity, it is equally measured in terms of job preservation and the good social management of any negative consequences. Parliament considered that, since the EU promotes the opening-up of the market, it should propose measures and financial resources better to anticipate and accompany restructuring and its social consequences, as well as to promote innovation and the search for new entrepreneurial potential, and the maintenance of working conditions. The Union needs to rise to challenges of a global dimension, such as restructuring, by improving the competitiveness of Europe's economy and businesses through better coordination and more consistent application of four existing Community instruments: competition policy, particularly the issue of State aid ; internal market policy, particularly the "Societas Europea" and the Community patent ; enterprise policy, particularly support for SMEs ; and solidarity policy, particularly by reorienting the European Regional Development Fund (ERDF) and the European Social Fund (ESF) to regions affected by actual or planned restructuring.

Parliament agreed with the Commission that the ESF and, to a lesser extent, the ERDF in respect of SMEs undergoing restructuring, which are too often overlooked, have a crucial role to play in managing restructuring. It proposed that the financial programmes under discussion for 2007-2013 should be geared more closely to managing restructuring, especially in areas where a high proportion of industry is accounted for by a limited number of sectors, and that the Funds should be allocated a budget adequate to this task. It also proposed that a European globalisation adjustment fund and a contingency reserve should be set up, and welcomed the Presidency conclusions on the Financial Perspective 2007-2013.

Parliament went on to note that the people most affected by restructuring are those employees made redundant and that they should always

receive priority aid as should the economic activities dependent on the business undergoing restructuring, particularly sub-contracting SMEs. It stressed the need to take better account of the "hidden effects" of restructuring, such as those to workers' health. Individuals directly threatened by redundancy suffer medical and psychological problems, and during the first five years following their dismissal, the mortality rate among such employees is twice as high as among those who are not dismissed. Parliament felt, therefore, that financial assistance should not be limited to the structural aspect of restructuring and that the human dimension of these challenges should be taken into account by prioritising personally-tailored assistance for workers. It condemned, among the hidden effects of restructuring, the early retirement of employees, who then, on account of their age, are the least employable, giving rise to significant financial costs to society, the loss of their professional skills and a senseless risk of labour shortage.

Parliament called for better monitoring and better traceability of the use of Community funds. Firms subsidised from EU funds which relocate part or all of their activities should be barred from receiving any further Community aid for a period of seven years and be required possibly to reimburse aid so as to prevent subsidy tourism.

Finally, Parliament called on the Commission to propose a European one-stop Internet shop for all citizens, local authorities, social partners and businesses affected. This would enable them to find information on the problems related to restructuring, on the opportunities which exist for anticipating and properly managing restructuring, and on their rights (including access to various types of assistance) and obligations.