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Stocktaking report on the application of the EU Quality Framework for anticipation of change and restructuring

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1. INTRODUCTION

Company restructuring refers to a wide range of different activities which lead to the reorganisation of an enterprise. It is part of the natural life of companies in social market economies, as a way of adapting to a changing environment. It is important for companies to be able to adapt to and/or anticipate structural changes (due to globalisation, digitisation, ageing of the population, etc.) and build resilience against short-term economic shocks (e.g. fluctuations in energy or raw material prices, etc.) in order to stay competitive. Causes for restructuring can be external to the company (technological or environmental change, changes in regulation policy, etc.) or internal (new management, decisions related to specialisation, over-indebtedness, etc.) and the outcome can be either a net loss of jobs or a net creation of jobs, in the case for instance of company expansion.

For many years the EU has played an active role in establishing a legal framework for better anticipation and socially responsible management of restructuring. The Union has also been developing policies and funding opportunities in this area for a long time and it has played an essential role in the past in supporting the restructuring of specific sectors, such as the car and steel industry, and more recently in shipbuilding[1].

In response to the major net job losses resulting from company restructuring after 2008, the European Commission called for better anticipation and management of restructuring, through the exchange of experiences and sectorial partnerships, as outlined in its 2009 Communication on "A shared commitment for employment"[2]. In addition, the European Commission encouraged national and European stakeholders to reflect on the best ways to carry out restructuring activities in a socially responsible manner, with a focus on anticipation of change and improving workers' involvement. It ran 27 national seminars[3] in order to foster the sharing of best practice and reflection to develop and apply innovative ways to deal with restructuring. Drawing on these exchanges and the lessons learned, the European Commission adopted a Communication setting out a "European Quality Framework for anticipation of change and restructuring" (hereafter Quality Framework for Restructuring) on 13 December 2013[4]. The Communication was the Commission's response to a resolution adopted by the European Parliament early 2013 on information and consultation of workers, anticipation and management of restructuring[5], which called on the European Commission to prepare a proposal for a legal act.

More recently, the Commission's Reflection Paper on harnessing globalisation of 10 May 2017 has opened up a vital debate on how the EU can best harness globalisation and respond to its opportunities and challenges. In view of general economic trends such as globalisation, digitisation, automation and the transition to a low-carbon economy, it is

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[1] CARS 2020 Action Plan COM(2012) 636 final, Action Plan for a competitive and sustainable steel industry in Europe COM(2013) 407 final, LeaderSHIP 2020 https://ec.europa.eu/growth/sectors/maritime/shipbuilding/ec-support_en

[2] COM/2009/0257 final

[3] Project A.R.E.N.A.S., 2008-2010, http://responsible-restructuring.eu/publications-and-resources/arenas/

[4] COM(2013)882 final

[5] "Resolution on information and consultation of workers, anticipation and management of restructuring"[5] (known as the Cercas Report). European Parliament 2012/2061(INL): http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0005+0+DOC+XML+V0//EN

important to design appropriate and balanced policy solutions which will accompany the structural change in the economy, and help mitigating the social impacts in declining regions and sectors, in order to achieve economic growth and net job creation.

In the Communication presenting the Quality Framework for Restructuring, the European Commission stated that it would "*monitor the way the Quality Framework for Restructuring is applied in the EU and send monitoring reports to the European Parliament and the social partners. Based on these reports and an accompanying political assessment, the Commission will consider to revise the Quality Framework for Restructuring by 2016 if need be. This revision will establish whether further action is necessary, including a legislative proposal*."[6]

This report results from that commitment. It builds on an independent monitoring study on the Quality Framework for Restructuring[7] to assess its implementation and it outlines the different instruments by which the European Commission seeks to improve the way in which companies' restructuring processes are anticipated and managed. It also highlights the need to reinforce the collaboration of all stakeholders concerned.

2. MONITORING APPLICATION OF THE QUALITY FRAMEWORK FOR RESTRUCTURING

2.1. The European Quality Framework for anticipation of change and restructuring and its main recommendations

The Quality Framework for Restructuring proposes a set of principles and good practices for the anticipation of change and mitigation of the employment and social effects of restructuring activities, addressed to all the stakeholders involved. It contributes to the implementation of legislation and financial instruments by which the EU seeks to facilitate the investment in human capital and the reallocation of human resources to activities with high growth potential and quality jobs.

The Quality Framework for Restructuring synthesises the collection of good practices developed by stakeholders over the years and presents them in the form of practical fiches addressed to the main actors involved in restructuring activities: companies' management, employees’ representatives, employees themselves, social partners and national/regional authorities.

The recommendations of the Quality Framework for Restructuring are formulated according to the timing of the measures to be adopted, covering both anticipatory measures and instruments to be developed on a permanent basis, as well as measures for the management of a specific restructuring event.

Measures aimed at effectively anticipating change and increasing the capacity of the workforce to adapt in cases of future restructuring include:

[6] Ibid, page 13

[7] Monitoring application of the EU Quality Framework for anticipation of change and restructuring, ICF International, 2017, http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8116&furtherPubs=yes

- strategic long-term monitoring of the company's economic and financial situation, as well as possible future technological and market developments;
- continuous mapping of jobs and skills needs;
- conclusion of external partnerships with regions, education/training institutions and business;
- application of measures targeting individual employees: flexibility measures (long-term working-time flexibility, job rotation, etc.); training measures (introduction of training advisers, design of individual ‘competency reviews’; individual training plans, including by equipping employees with transversal skills, etc.); career development measures (‘career days’, ‘career corners’, job rotation measures, etc.); measures to promote internal and external mobility, etc.

Measures recommended to improve the management of specific restructuring events include:

- foster internal consensus through joint diagnosis and exploring all possible options before contemplating redundancies;
- organise individual and personalised support for redundant employees;
- information, consultation and collective bargaining on above issues;
- involve external actors and participate in external partnerships.

The analysis of real life restructuring events carried out for the monitoring study has shown that better outcomes were regularly obtained through anticipatory approaches and in cases where personalised support for the dismissed workers was organised. Examples of good practice observed in restructuring events can be found in the Annex.

The study looked at the implementation of the Quality Framework for Restructuring since its adoption in 2013 and assessed the way the framework's good practices have been promoted and applied. It also examined whether and how the framework is influencing policy development in Member States and how stakeholders are collaborating with each other. The next chapter presents the main findings.

2.2. Monitoring the application of the Quality Framework for restructuring: main findings

2.2.1. Need for better collaboration among stakeholders

A collaborative approach in dealing with restructuring processes is one of the principles conveyed in the Quality Framework for Restructuring. Findings from the case study analysis show that:

- Better outcomes in terms of employability of the dismissed workers were generally achieved when external actors were involved in the negotiations and design of the measures to manage the restructuring process. However, this was done in the majority of cases in a reactive rather than an anticipatory approach.

- In cases where local Public Employment Services could provide good labour market information, this helped to effectively reorient workers towards professions needed on the labour market.

- Collective bargaining has in general improved the outcomes of restructuring for employees in all Member States. In Member States with well-developed collective bargaining and in larger firms with information and consultation bodies (a works council and/or a European Works Council) measures to reduce the number of redundancies and active labour market policy measures targeted to individuals are more frequently observed.

A 2016 Eurofound study confirms the key role of social partners in achieving win-win strategies for dealing with organisational change. The study found that "companies with ‘trusting’ forms of social dialogue were able to introduce even difficult restructuring measures with trade union or employee support, especially where there had been consultation at an early stage to allow compromises to be reached and to build commitment to a common goal. (…) Companies in the ‘trusting’ social dialogue group had the most positive outcomes for both organisations and employees."[8]

2.2.2. Need for a more anticipatory and proactive approach

Another persistent challenge in dealing with corporate restructuring is that companies often restructure in a reactive rather than an anticipatory and proactive way. It is difficult for companies to have public discussions around the need for change and restructuring, as such a public announcement can have important consequences (namely, having to manage both workers’ and public opinion, as well as the possible impact on competitiveness through revealing plans to competitors) and therefore an announcement tends to only be made once all alternative routes have already been explored and redundancies are virtually certain. As a result, workers do not benefit enough from support measures in advance (training, job guidance, etc.) which would help them find a new job more quickly; workers' representatives intervene too late in the management decision and company management does not involve external actors (regional authorities,

[8] Eurofound (2016), Win–win arrangements: Innovative measures through social dialogue at company level, Publications Office of the European Union, Luxembourg.

for example) in time, although they have a crucial role to play in softening the social impact.

2.2.3. *Need for higher awareness of the Quality Framework for Restructuring*

The Quality Framework for Restructuring was established drawing on the many exchanges between Member States representatives that took place in the years preceding the Communication, in restructuring forums and in national seminars. It thus reflects measures and good practice observed in national frameworks, but conversely, it has not triggered any observable change since its adoption. In fact, the monitoring study has found that awareness of the Quality Framework for Restructuring is very low across the range of different stakeholders and experts interviewed for the study at the national level.

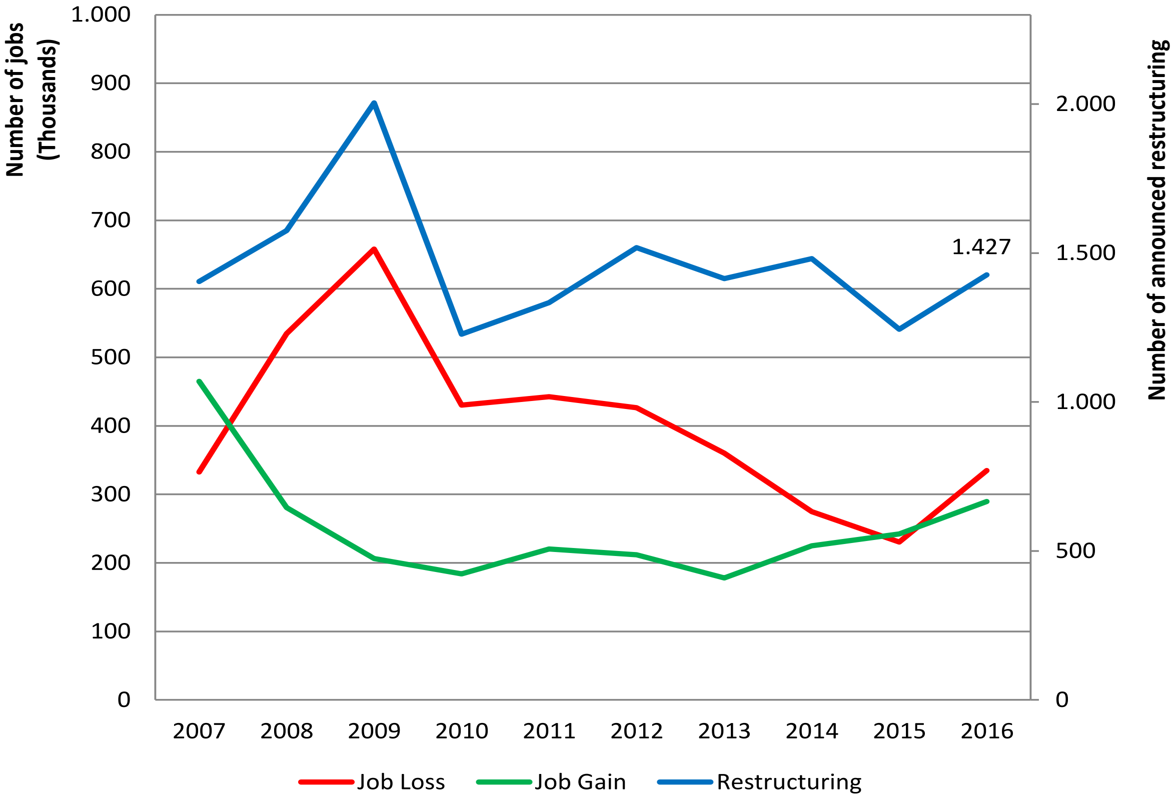
At company level, the case study analysis has provided evidence that undertakings are adopting measures in anticipation of, or whilst dealing with, restructuring proceedings that are consistent with the good practice from the Quality Framework for Restructuring and with good outcomes. Case study research found however that the application of good practice in companies widely varies depending on the size of the company, regional and national policy frameworks and the level or intensity of industrial relations.

The fact that the Quality Framework for Restructuring is not known by the large majority of national stakeholders means that it has not so far been inspiring policy development in Member States, nor the actions of other concerned stakeholders, to better anticipate or deal with restructuring. However, the unevenness of the awareness and the application of good practices between sectors and between Member States indicates that the Quality Framework for Restructuring can make a useful contribution in increasing awareness and application of these good practices, especially in those sectors and Member States where they are less known and applied today. It seems therefore appropriate to continue efforts to raise awareness of the existing framework of good practice and allow time for them to bear fruit so that it can play a part in the policy responses developed in Member States and reinforce good practice already observed in restructuring proceedings.

3. RESTRUCTURING OVERVIEW IN THE EU: TRENDS AND CURRENT STATE

The chart below shows the number of announced corporate restructuring cases recorded in the EU each year since the onset of the global financial crisis, as well as their impact in terms of aggregated job gains and job losses announced. The main trends since the crisis have been a decline in announced job losses and a gradual increase in announced job creation. Thus, after a peak in the number of announced job losses at the onset of the crisis, the figures have progressively decreased and by 2016 had reached a level close to the pre-crisis situation (around 330.000 job cuts announced in 2016 due to restructuring activities in the EU, similar to the 2007 figure). The number of announced job gains through companies' expansions has been steadily recovering since 2013, although in 2016 it was still only 60% of the 2007 level.

Chart 1: Evolution of the number of announced restructuring cases (right axis) and associated job loss and job gains (left axis) in the EU since the onset of the crisis



Source: Eurofound, ERM, 2017

In terms of sectorial distribution of restructuring activities in the EU, 2016 data (see tables below) shows that around 30% were in the manufacturing sector, leading both to job cuts and job gains. The financial services sector is however the one recording the highest number of net announced job reductions, with a net loss of over 70.000 jobs. In terms of job gains, information and communication, and vehicle dealers/repairers are the two sectors recording the largest announced job gains.

Table 1: Number of announced restructuring events and job losses recorded in the EU in 2016, by activity sector.

Activity sector (NACE rev.2 two-digit) - 2016	Number of restructuring	Job Losses (announced)	%
Manufacturing	278	100.023	29,9%
Financial and insurance activities	94	74.741	22,3%
Wholesale and retail trade repair of motor vehicles and motorcycles	67	43.162	12,9%
Mining and quarrying	33	25.148	7,5%
Transporting and storage	44	20.337	6,1%
Information and communication	54	18.127	5,4%
Electricity gas steam and air conditioning supply	20	14.585	4,4%
Public administration and defence compulsory social security	12	9.765	2,9%
Human health and social work activities	10	8.814	2,6%
Administrative and support service activities	21	6.608	2,0%
Construction	15	4.139	1,2%
Professional scientific and technical activities	15	4.078	1,2%
Other	23	5.107	1,5%
Grand Total	**686**	**334.634**	**100%**

Source: Eurofound, ERM data, 2017

Table 2: Number of announced restructuring events and job gains recorded in the EU in 2016, by activity sector.

Activity sector (NACE rev.2 two-digit) - 2016	Number of restructuring	Job Gains (announced)	%
Manufacturing	281	84.290	29,8%
Wholesale and retail trade repair of motor vehicles and motorcycles	80	62.009	22,0%
Information and communication	129	39.709	14,1%
Transporting and storage	65	23.097	8,2%
Accommodation and food service activities	24	20.525	7,3%
Public administration and defence compulsory social security	17	13.138	4,7%
Professional scientific and technical activities	30	12.405	4,4%
Administrative and support service activities	49	12.228	4,3%
Human health and social work activities	12	4.781	1,7%
Financial and insurance activities	28	4.579	1,6%
Construction	7	1.960	0,7%
Electricity gas steam and air conditioning supply	7	1.360	0,5%
Other	12	2.320	0,8%
Grand Total	**741**	**282.401**	**100%**

Source: Eurofound, ERM data, 2017

Looking at the factors that cause companies to reduce their workforce, internal management decisions accounted for over 70% of the announced restructuring cases in the EU in 2016. Closure and bankruptcy each accounted for 10%.

Table 3: Job losses in 2016 by type of restructuring

Restructuring by type - 2016	Number of restructuring	Job Losses (announced)	%
Internal restructuring	473	243.388	73%
Closure	97	33.710	10%
Bankruptcy	44	31.954	10%
Merger/Acquisition	28	13.794	4%
Offshoring/Delocalisation	33	10.038	3%
Relocation	8	1.481	0%
Outsourcing	2	138	0%
Other	1	131	0%
Grand Total	**686**	**334.634**	**100%**

Source: Eurofound, ERM data, 2017

4. THE EUROPEAN QUALITY FRAMEWORK FOR ANTICIPATION OF CHANGE AND RESTRUCTURING IN RELATION TO OTHER EU POLICIES/INSTRUMENTS

The Quality Framework for Restructuring is embedded in a set of EU legislation, policies as well as spending programmes and funds helping companies and stakeholders to better anticipate and to better manage the consequences of change. Most of the relevant EU tools offer support both for the anticipation of change and for the management of restructuring. Some tools focus more particularly on measures to enable the early restructuring of enterprises in difficulty and to prevent their insolvency (e.g. the recent Commission proposal for a EU preventive restructuring framework[9]) while others focus on accompanying measures for the dismissed workers (e.g. the European Globalisation Adjustment Fund).

Anticipation of change

The EU has developed over the years legal and funding instruments that support the preparedness of regions and workforces for change, but that also establish a framework in which businesses can better anticipate their restructuring activities. EU action relevant to these goals includes developing skills and labour market intelligence which can feed into public policies and measures adopted.

The EU supports the preparedness of workers to change through policies and funding instruments geared at strengthening the employability and mobility of individual workers. The New Skills Agenda for Europe, launched in June 2016, focuses on boosting the quality and relevance of skills and qualifications and on improving skills intelligence. Its Blueprint for Sectoral Cooperation on Skills brings together business, trade unions, education and training institutions to develop sectoral skills strategies and update education and training curricula to meet new and emerging skills needs. It supports the recognition and validation of the skills and competences of employees acquired through on-the-job learning and non-formal training, as well as formal learning, to support individual workers' career development and mobility. The European Social Fund is one of the main EU-level sources of funding for the implementation of the New Skills Agenda for Europe and it has been demonstrated that the ESF has made an important contribution to its priorities.[10] In the post-2020 period, the Commission has proposed that the ESF+ builds on what has been achieved so far by investing in improving the quality, effectiveness and labour market relevance of education and training systems, promoting equal access to quality and inclusive education at all levels, and promoting lifelong learning, flexible upskilling and reskilling opportunities and better anticipating change and new skills requirements based on labour market needs. The Skills Panorama managed by Cedefop, the European Centre for the Development of Vocational Training[11], provides a periodic pan-EU overview of trends in skills, including forecasts, to improve Europe's capacity to assess and anticipate skill needs[12].

[9] COM (2016) 723 final.

[10] https://ec.europa.eu/esf/transnationality/content/esf-performance-and-thematic-reports-esf-contribution-new-skills-agenda-final-report.

[11] http://www.cedefop.europa.eu/en

[12] http://skillspanorama.cedefop.europa.eu/en

The European programme for employment and social innovation (EaSI) finances measures aimed at improving job mobility across the EU, with initiatives such as EURES[13], the European job mobility network. EURES provides information, guidance and recruitment/placement services to employers, jobseekers and any citizen wishing to take advantage of freedom of movement for workers. It relies on the European classification of skills, competences, qualifications and occupations (ESCO)[14], an EU tool that supports cross-border recognition of skills and competencies, thus facilitating the identification of skills and job opportunities across Member States. The EaSI programme and its predecessor PROGRESS have financed a number of projects and research on the topic of restructuring in recent years, such as the monitoring study for the application of the Quality Framework for Restructuring.

The European Structural and Investment Funds (ESIF), and especially the European Social Fund (ESF), are used to finance measures in support of the recommendations laid out in the Quality Framework for Restructuring, both for the anticipation of change and for the management of restructuring processes, such as the employability of workers made redundant and the increased role of national Public Employment Services, particularly in the anticipation of skills.

EU restructuring and insolvency law also plays an important role in setting safeguards that protect the employment conditions of the workers in businesses operating in the EU. The Commission presented in 2016 a new approach to business insolvency in Europe[15], promoting early restructuring to support growth and protect jobs, a second chance for honest entrepreneurs and measures to make insolvency procedures more efficient. First, in relation notably to restructuring, the proposal aims at facilitating the preventive restructuring of viable companies in financial distress, or alternatively the swift liquidation of those that have no chance of survival. In particular, preventive restructuring frameworks can save companies from insolvency and thus save jobs. Where the insolvency of a company is unavoidable, the employability prospects and social outcomes for the workers are also improved if the liquidation proceedings are handled quickly and efficiently. Second, a regulatory environment favourable to giving a second chance to honest entrepreneurs who have failed in a business venture will encourage them to try new ideas and potentially create new jobs. Third, all insolvency and second chance procedures need to be made quicker and less costly, which can be achieved by increasing the efficiency of judicial and administrative authorities, the professionalism of insolvency practitioners and by the digitalisation of procedures as much as possible. The proposal is a key deliverable under the Capital Markets Union Action Plan and the Single Market Strategy, as a well-functioning EU internal market requires a coherent restructuring and second chance framework, capable of addressing the cross-border dimension of firms.

[13] http://ec.europa.eu/social/main.jsp?catId=1083&langId=en

[14] https://ec.europa.eu/esco/portal/home

[15] Proposal for a Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU, COM/2016/0723 final

Further EU programmes funding measures aimed at improving the anticipatory management of change include an early warning system[16], being developed by a partnership of several members' states and stakeholders with the support of the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)[17]. A key element of early warning systems is to create strong framework conditions for entrepreneurs and businesses across sectors that can help them face key challenges, including managing a crisis, dealing with bankruptcy and getting a second chance.

In order to provide relevant data and intelligence to inform labour market policies, the European Monitoring Centre on Change (EMCC)[18] was set up in 2001 within Eurofound, the European Foundation for the Improvement of Living and Working Conditions[19], as an information resource to promote an understanding of changes in the world of work, employment and restructuring. The EMCC uses its monitoring instrument, the European Restructuring Monitor (ERM), to provide up-to-date news and analysis on announced cases of company restructuring in Europe. Since 2011, it has also provided information on national support instruments for restructuring. The aim is to inform governments, social partners and other key stakeholders about what kinds of support can be offered.

Socially responsible management of restructuring

The Quality Framework for Restructuring recognises that managing restructuring in a socially responsible way is a multi-level, multi-actors issue. Social dialogue and collective bargaining are key mechanisms to reach internal consensus and the best outcome possible for the affected workforce. In line with this principle, the EU has developed a legislative framework to ensure that workers are informed and consulted early on by companies' management on any business issues or decision that could have an impact on employment and working conditions, including restructuring. Directive 2002/14/EC[20] establishes a general framework for information and consultation of workers at national level. Directive 2001/23/EC[21] contains provisions ensuring the information and consultation of workers employed in businesses that are transferred between owners. Directive 2009/38/EC[22] sets out definitions, rules and procedures around European Works Councils, which are bodies representing European employees within transnational companies.

[16] http://www.earlywarningeurope.eu/about
[17] https://ec.europa.eu/growth/smes/cosme_en
[18] http://www.eurofound.europa.eu/observatories/emcc/about-emcc
[19] https://www.eurofound.europa.eu/fr
[20] Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community
[21] Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses
[22] Directive 2009/38/EC of the European Parliament and of the Council of 6 May 2009 on the establishment of a European Works council or a procedure in Community-scale undertakings and community-scale groups of undertakings for the purpose of informing and consulting employees, OJ L 122, 16.5.2009, p.28.

The current European Social Fund (ESF) regulation for 2014-2020 contains specific investment priorities supporting

- the "adaptation of workers, enterprises and entrepreneurs to change" (investment priority 8.v) and
- "capacity building for all stakeholders delivering education, lifelong learning, training and employment and social policies, including through sectoral and territorial pacts to mobilise for reform at the national, regional and local levels" (investment priority 11.ii)

Within this framework, the ESF can and does support many interventions which accompany restructuring and structural change both at the enterprise level as well as helping individual employees in coping with the effects of restructuring and change. At the enterprise level, particular activities such as advice and studies support anticipating industrial change, social dialogue and improving crisis management. At employee level, individual assistance is provided such as:

- advice
- personal support and training for individuals made redundant
- support for professional mobility and
- support for job creation through self-employment and start-ups.

The relevant ESF investments under investment priority 8.v include a wide variety of actions addressing both employers (and managers of enterprises) and employees. With regard to employers, the ESF mainly supports actions that facilitate the introduction and management of change in organisations to prevent or mitigate the consequences of economic restructuring, for example:

- guidance and training support
- making the diagnosis and developing restructuring / action plans for introducing more innovative, more productive and greener models of labour organisation, including safe and healthy working conditions
- managing the changing demographic structure of the company.

For this 2014-2020 programming period, sixteen Member States[23] have allocated ESF resources to investment priority 8.v for a total amount of 5,06 billion EUR. Out of these, seven Member States (Germany, Denmark, Finland, France, Lithuania, Malta and Romania) had received country-specific recommendations from the Council to improve the employability of workers under the European Semester. In the case of Germany, France and Romania special reference was made to the target groups of older workers or long-term unemployed while Finland was advised to improve the employability of workers both in 2014 and 2015.

While it is too early to have the ex-post results of the 2014-2020 programming period, in the previous 2007-2013 programming period the key success factors identified with regards to the implementation of activities supporting the reskilling/upskilling of workers include a flexible and individualised approach and connection to the needs of the labour market.

[23] AT, BE, BG, CZ, DE,DK, ES, FI, FR, GR, HU, IT, LV, PL, PT, RO

At the same time, the recent ESF+ proposal for the post-2020 programming period will allow the same kind of support to help prevent or mitigate negative consequences of restructuring. Indeed, under this post-2020 proposal Member States can continue to use the ESF+ to both address the consequences of job losses due to industrial change, and to anticipate such change. On the one hand, when restructuring leads to redundancies, the ESF+ will be able to intervene through, for example, funding (re)training actions in order to allow laid off workers to find another job. The ESF+ will support training projects for specific target groups, such as young people, long-term unemployed, the elderly or women. On the other hand, Member States will be able to use the Fund to better anticipate structural changes imposed by technological development to support the upskilling and reskilling of the labour force, taking into account digital skills and labour market needs.

Furthermore, the ESF+ as proposed, like its predecessor, will provide an important contribution to improving the quality, effectiveness and labour market relevance of education and training systems, so they can be better address the challenges of the future, and it will promote lifelong learning, including flexible upskilling and reskilling opportunities, for all.

Finally, the ESF+ proposal offers possibilities for Member States, social partners and other stakeholders to experiment with new solutions, mainstream them in the main policy delivery, and share good and innovative practice.

The European Regional Development Fund (ERDF) also plays a role supporting the reconversion of affected regions and enhancing the competitiveness of SMEs. The ERDF is investing in the promotion of sustainable and quality employment and in labour mobility. It is eligible for infrastructure investment as well as for job creation. The overall ERDF allocation for these objectives in the 2014-2020 programming period is 3,3 billion EUR.

Specific areas of intervention of the ERDF include:

- Development of business incubators and investment support for self-employment, micro-enterprises and business creation. In the current programming period, the ERDF allocation for 'SME business development, support to entrepreneurship and incubation' is approximately 7,9 billion EUR and for "self-employment, entrepreneurship and business creation" 0,64 million EUR;

- Employment-friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to, and development of, specific natural and cultural resources;

- Local development initiatives and aid for structures providing neighbourhood services to create jobs;

- Investment in infrastructure for employment services. ERDF investments in the 'Modernisation of labour market institutions, such as public and private employment services, and improving the matching of labour market needs, including through actions that enhance transnational labour mobility as well as through mobility schemes and better cooperation between institutions and relevant stakeholders' amount to around 65 million EUR;

- The 'Adaptation of workers, enterprises and entrepreneurs to change' represents a total ERDF amount of 25 million EUR. Specific measures for adaptation may for example include the education and training of workers.

Regional policy is not only about funding opportunities. It provides a policy framework for integrated territorial development, and as such, it is particularly well suited to address regional skills mismatches by working in partnership with actors on the ground. In that context, smart specialisation strategies support regional and local cooperation between industry, business and researchers. These strategies can play a crucial role in the anticipation of skills needs and in the identification of job creation potential.

Complementing these tools to support the adaptation to change, the European Globalisation Adjustment Fund (EGF) provides one off, time-limited individual support to help workers made redundant and self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation or the effects of the global financial and economic crisis, in particularly difficult circumstances and most often as part of mass lay-offs.

The EGF has been in operation since 2007 and constitutes an important and visible EU initiative for the socially responsible management of restructuring. It can fund up to 60% of the estimated cost of projects designed to help workers made redundant find another job or set up their own business. The EGF, being a special fund triggered on an application basis, supports only workers that have already been made redundant and not the enterprises which should anticipate changes and adapt accordingly.

The EGF has an average annual budget of EUR 170 million for the period 2014-2020. As a general rule, the EGF is used only where over 500 workers are made redundant by a single company (including its suppliers and downstream producers), or if a large number of workers are laid off in a particular sector in one or more neighbouring regions.

Individual workers as well as (temporarily) young people not in employment, education or training (NEETs) can benefit from the active measures co-financed by the EGF, such as:

- help with looking for a job;
- career advice;
- education, training and re-training;
- mentoring and coaching;
- entrepreneurship and business creation.

The EGF can also provide training allowances, mobility/relocation allowances, subsistence allowances or similar support, capped at 35 % of the support for active labour market measures. However, the EGF only offers short-term one-off support to workers after they have lost their jobs. In this sense, the current design of the fund makes it a reactive support to restructuring, with no anticipatory measures. In addition, the recent mid-term evaluation of the EGF[24] has shown room for synergies with ESF, as the latter was used in the past for short-term relief measures that are targeted also under EGF. The reason for this is that some Member States' regions have higher co-financing rates under the ESF, coupled with the possibility to re-programme ESF resources in order to offer re-active support to workers made redundant.

In 2014 – 2018 the Commission has so far received 45 applications (without withdrawn applications), targeting 49.064 beneficiaries, of whom 4.099 NEETs. The total EGF support requested was EUR 156 million.

For the post-2020 period, the European Globalisation Adjustment Fund will be revised so that it can intervene more effectively to support workers who have lost their jobs. Currently, workers can only get support from the Fund when the Member State can prove that the dismissals are the direct consequences of changing trade patterns or consequences of the financial and economic crisis. Under the new rules, the scope of the EGF will be broadened to cover any type of large-scale restructuring event, such as those caused by automation, digitalisation moreor any other economic challenges. Eligibility will purely be based on the significant impact of the restructuring event, defined by the number of dismissed workers. The new rules will lower the threshold of dismissed workers for a case to be eligible from 500 to 250, taking into account the realities of regions in which SMEs are the largest employers. The co-financing rate of the EGF will be aligned with the highest ESF co-financing rate in the respective Member State. Under certain conditions in case of closure or dismissals of workforce, the EGF will remain a possible instrument available to accompany transition in instances where the Commission examines State aid supporting the restructuring of undertakings facing difficulties under the applicable EU State aid rules[25].

5. CONCLUSIONS

As discussed in the introduction, globalisation and technological change are transforming our lives at an unprecedented speed. General economic trends such as the digital and energy transitions will have particular impacts on many sectors, and on a large number of regions. The EU is home to some of the most advanced welfare systems in the world and to a wealth of best practices and social innovations, but it needs to confront and adapt to unprecedented societal challenges.

Over the last decade the EU has carried out extensive work on facilitating adaptation to change and restructuring. This work, combining policy, legislative and funding instruments, has been geared towards reinforcing employees' involvement and collective bargaining in managing and responding to restructuring processes; supporting the adaptability of companies and the reconversion of regions affected by declining industries; and enhancing the employability of workers. The framework of instruments in

24 Report from the Commission on the mid-term evaluation of the European Globalisation Adjustment Fund, COM(2018) 297 final

25 Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty. OJ C249 of 31.7.2014, p.1. By way of illustration EGF support was mobilised in the case of dismissals in or closure of companies in difficulties supported with State aid such as Mory-Ducros/Mory-Global, Fagor/Brandt (FR) or Duferco (BE).

place at EU level, including the European Pillar of Social Rights[26], is very much aimed at supporting the anticipation of change and socially responsible restructuring practices.

The Quality Framework for Restructuring is one among a range of policy instruments in the EU toolbox. It presents good practice in the form of recommendations, collected over years of research and exchanges with national experts and key stakeholders. It is meant to inspire/guide stakeholders in effectively handling restructuring activities in a proactive and anticipatory manner.

As the monitoring study has found, there is a low awareness of the Quality Framework for Restructuring across all categories of stakeholders, especially at national level; and this despite the fact that the bulk of the good practices which it collates are quite well known, especially in some member states and some sectors. This means that the Quality Framework for Restructuring has so far had a weak amplifying effect towards companies, workers and public authorities for the EU framework supporting good practices in anticipation of change and restructuring. The evidence gathered through the real-life examples analysed for the study shows that the collaborative and anticipative approach to dealing with restructuring, as promoted by the Quality Framework for Restructuring, does lead to better outcomes for the dismissed workforce. It is therefore important to continue efforts to raise awareness of the Quality Framework for Restructuring across all categories of stakeholders at national level, including public administrations, but especially addressing those sectors and member states which so far have lower levels of awareness and implementation of the good practices. This will contribute to further promote the application of good practices in national frameworks.

Continued efforts both at EU and national level should focus on improving the ability of all stakeholders to anticipate changes and efficiently prepare the restructuring required by those changes. Action should be directed at encouraging all actors to collaborate and together find mechanisms for better anticipation of restructuring and change, including targeted support to SMEs in the area of anticipation of restructuring. Funding instruments exist, both at national level and under the ESI funds, which can be further mobilised in this direction.

Good practice in this area also need to be better shared and disseminated, including through networks and observatories that monitor change processes, like for instance the extensive monitoring and comparative work carried out by Eurofound's European Monitoring Centre on Change[27].

Ensuring that the EU support for quality restructuring is up-to-date and fit for purpose is also part of the broad approach taken in the Pillar of Social Rights. The Pillar sets out a number of key principles and rights to support fair and well-functioning labour markets and welfare systems. The 7th of the Pillar's 20 principles specifically addresses protection of workers in case of dismissals. Principle 8 provides for the right of workers or their representatives to be informed and consulted in good time on matters relevant to

[26] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en
[27] https://www.eurofound.europa.eu/fr/observatories/emcc

them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies.

The Commission has recently taken three recent actions related to restructuring:

- Within its proposal to establish a European Labour Authority, it has included a role for the authority in restructuring: on request of the Member States involved, the Authority may facilitate cooperation between the stakeholders to address labour market disruptions, such as large-scale restructuring events, which affect two or more Member States.[28]

- As regards the EU legal framework related to information and consultation of workers, the Commission has published an evaluation of the Directive on European Works Councils[29], coupled with a proposal of concrete measures to reinforce the role of those consultative bodies on dealing with transnational issues, including restructuring.

- As part of its Company law package of April 2018[30], the Commission proposed new rules on cross-border conversions and divisions, and adaptations to the existing EU cross-border merger rules, to enable companies to better restructure and relocate within the single market. At the same time, the proposed rules aim to ensure that all stakeholders affected by the companies' operations, in particular employees, creditors and minority shareholders, have adequate and proportionate safeguards to protect their rights. The proposal also empowers national authorities to stop a cross-border procedure if they suspect abusive or fraudulent purposes.

Social partners will play a key role in accompanying the transformation of European societies and the world of work in the coming decade. This includes ensuring that skills and training schemes match the needs of new job profiles, looking at working conditions in new sectors or facilitating a socially fair transition in sectors or regions where jobs will be lost.

In the frame of the "New Start for Social Dialogue" launched on 5 March 2015[31], the Commission remains committed to continue the dialogue with social partners at EU and national level on the social impact of globalisation, digitisation, automation and the transition to a low-carbon economy.

In addition, the EU will continue to invest in the capacity-building of social partners and to use the European Structural and Investment Funds to improve the resilience of existing enterprises, to support the employability of workers and to promote smart specialisation strategies to facilitate the reconversion of affected regions.

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[28] Proposal for a Regulation of the European Parliament and of the Council establishing a European Labour Authority, 13.3.2018, http://ec.europa.eu/social/BlobServlet?docId=19157&langId=en

[29] http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=9102&furtherNews=yes

[30] COM/2018/241 final; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A241%3AFIN

[31] http://ec.europa.eu/social/main.jsp?catId=88&langId=fr&eventsId=1028

These efforts are supported by the implementation of the New Skills Agenda for Europe, including in particular the launch of the Blueprint for Sectoral Cooperation on Skills.

As stated above, there remains a need to improve the visibility and dissemination of the good practices included in the Quality Framework for Restructuring to the relevant stakeholders. Given the shared responsibilities, the Commission will continue to seek the support of public authorities and social partners to improve the effectiveness of the Quality Framework for Restructuring in the coming years.

ANNEX: EXAMPLES OF GOOD PRACTICE OBSERVED IN REAL-LIFE RESTRUCTURING EVENTS FROM CASE STUDIES

Skills and job search support:

The efficiency of training strategies targeted to individual workers in preparing them to change can be illustrated with the case of the construction company Ruukki Romania, which announced the closure of its Bolintin-Deal plant in 2014. The company was a subsidiary of the Finnish steel producer Rautaruukki. Following the merger of the latter with the Swedish steel producer SSAB the decision was taken to close the subsidiary plant in Bolintin-Deal. The management of Ruukki Romania found out about the new owner's intentions towards restructuring only when the merger of Rautaruukki with the SSAB Group was approved by the European Commission, in August 2014. This gave only two weeks to the management of the company to organize the restructuring plans, which were announced to start in September 2014. As a result of the swift restructuring, the local PES was not sufficiently involved to support the dismissed workers and there was no information, consultation or collective bargaining in anticipation of the restructuring of Ruukki Romania. The company was however offering individual and collective training to its employees on a regular basis and tailoring the training courses to the requirements of the specific projects. An annual performance review was conducted for each full-time employee in view of defining career development plans. Despite the lack of anticipation and the lack of collaboration with external actors, the high qualifications of the staff at Ruukki Romania and their further development through training and career development measures helped the redundant employees to find other jobs relatively easily in the same sector, in similar or better positions and in a short period of time.

In 2013, the Austrian company Lenzing AG, a manufacturer of textile and nonwoven cellulose fibres such as viscose, modal and lyocell, announced 390 job cuts due to the dramatic drop of the price of cotton and polyester fibre in the international market and the price pressure by China. The search for alternative measures in close collaboration with the works council ultimately allowed reducing the announced number of dismissals. Alternative solutions were sought as far as possible, such as not refilling posts of retired employees, offering semi-retirement, granting unpaid temporary leave for further training or education and providing for part-time solutions. Other sustainable solutions were made possible through the Lenzing Stiftung labour foundation, which gave a substantial number of affected employees the possibility to acquire further qualifications tailored to their needs and wishes. The measures taken were successful in supporting the reemployment of the dismissed workers, especially in a context of relatively high unemployment rate in the Lenzing district (9%-10%).

Collaboration of key actors:

In November 2013, a European truck manufacturing company decided to close its plant in Leganes, Madrid and relocate production to other factories in the group, in Sweden and France. This resulted in the termination of 142 jobs. The event followed the steps set out in the legislation for such cases in Spain, through an employment regulation (ERE). Negotiations with employees' representatives and collective bargaining resulted in improved conditions offered to the workers made redundant. The options were dependent on the age and length of working life, and included a combination of lump-sum compensations and early retirement packages. Internal mobility was also encouraged and between 10 and 15% of the workforce were successfully relocated or transferred into roles that are expected to be sustainable. In a quite innovative approach, the new company that acquired the site was also involved in the management of this event. As a result, an agreement was made to create a database with the interested dismissed employees to be considered for roles in the new firm (a pharmaceutical company). The hiring process was externalised to a recruitment firm, and was successful for a number of employees.

The close collaboration between the company's management, trade unions and the local employment service were very effective in mitigating the social consequences of the closure of the Márkushegyi mine in the Oroszlány region, Hungary. The mine had been unproductive for some years and with the onset of the crisis became unsustainable. A gradual restructuring plan was drawn up, giving priority to natural exits through early retirement. The company's management, trade unions and local public employment service worked closely together to find new job opportunities for dismissed workers with companies in the area. In addition, they provided information and assistance with the redundancy procedure to the dismissed employees and organised personalised support, which included training, advice and guidance on job search and applying for new jobs. As a result of the tri-partite collaboration, which went beyond what's mandatory according to the national legislation, the actual impact of the closure of the mine on the labour market was very limited.

In October 2013, the company Steelcase Werndl AG, a subsidiary of the American company Steelcase, announced the closure of its facility in Durlangen, Germany, by the end of 2015. All 285 employees in Durlangen were affected by the closure. The company had a works council, which pro-actively contacted 200 companies in the vicinity of Durlangen and inquired about open job positions for laid-off Steelcase employees. The initiative was supported by the trade union and the company's management. The human resources manager agreed to be a point of contact for interested companies. Furthermore, the works council approached the public employment agency to request its assistance. In order to create an incentive, the latter agreed to give companies a financial support for six months to the salary when recruiting any of the laid off Steelcase employees. Thanks to the proactive measures taken by the works council, 70 job offers where received within four weeks of the announcement, leading to a number of new and more attractive job opportunities.

Whirlpool Corporation S.r.l., an American multinational manufacturer of home appliances, announced the closure of its industrial site at Spini di Gardolo in Trento, Italy, on June 2013. The stagnant economy and a decline in consumer demand were the causes for the restructuring, which affected all 468 employees on the site. With Whirlpool being one of the main employers of the province, the provincial government was involved in the management process from the very beginning. An external scouting agency was contracted in order to identify possible new investors to take over the site. Through the mobilization of EGF funds, the local employment service offered various forms of support to the dismissed workers, including individual counselling and courses implemented by external agencies. The availability of EGF funds allowed for a support tailored to needs of the redundant workers leading to very positive rates of re-employment, with more than 50% dismissed workers estimated to have been re-employed by June 2016, when the EGF intervention terminated.

European Works Councils:

The closure of the Caterpillar plant at Gosselies in 2016 is a recent example of the limited impact that European Works Councils (EWC) tend to have in restructuring decisions. Despite the fact that the company had been in financial difficulties for some time, with the latest collective dismissal of 169 employees having taken place in Belgium in 2015, the announcement of the closure of the Gosselies plant was not anticipated by the company, nor communicated in advance to the EWC, and came as a surprise to the local management and employees. The announcement was made in parallel to the news that restructuring would also take place in a plant located in France (Grenoble) and a site in the UK (Monkstown, Northern Ireland). The company's central management informed the EWC of the restructuring at the same time as the local management and workers at the Gosselies site, when the decision had already been taken. This in fact limited very much the impact that the EWC could have had in assessing alternatives to the dismissals and anticipating measures to support the workers affected. Recent large-scale collective redundancies cases such as Caterpillar have thus raised the question of the impact of EWCs in restructuring decisions.

Focus on: Transfer Company - an active instrument to dealing with restructuring

A transfer company is an instrument provided for under German law which can be put in place in cases of restructuring with resulting job losses. The key motivation behind setting up this instrument is the recognition that job to job transfer leads to more successful outcomes than delayed active labour market policy intervention following on from a period of passive support. The transfer company makes it possible to prepare redundant workers for a new job through counselling, qualification and placement activities. Transfer companies, once established, generally operate for a 12 month period.

There is no legal obligation to establish a transfer company. This is a decision left to the social partners in each case. In practice, this tool is often used in cases of large scale restructuring.

The level of service provided by the transfer company depends very much on the deal reached by the social partners and the level of funding made available (for example to determine the ratio between transfer company counsellors and redundant staff and the level of funding available for training measures etc.). For affected employees, there is no obligation to move to the transfer company once it has been created. However, workers who do not agree to enter the transfer company are made redundant and subsequently register as unemployed.

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