The effects of restructuring at regional level and approaches to deal with the consequences

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Irene Mandl
European Foundation for the Improvement of Living and Working Conditions (Eurofound)

Introduction

As structural change is a natural characteristic of economic development and restructuring has been recognised as a necessary element of business management to keep companies competitive and sustainable, both the European Union and Member States put this issue on their political agenda and have developed support to employers and employees to anticipate and manage change (Eurofound, 2011). Debates mainly concern macroeconomic or micro level effects of restructurings, while the impact of restructuring on the regional environment is hardly explored. As, however, it can be assumed that due to interrelationships among companies and their embeddedness in the local environment particularly restructuring of large or regionally dominant firms affect the regional economic, labour market and social situation, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) launched a research project in 2013 to investigate on the effects of restructuring at regional level and the approaches taken to tackle potentially negative outcomes (Eurofound, forthcoming).

The project started with a literature and data analysis, which, however, brought limited findings as studies or surveys specifically dealing with this topic are quasi non-existent. Consequently, the main findings of the project are derived from case studies of five large-scale restructurings in Europe\(^1\) which had important effects on their surrounding regions and were characterised by the initiation of ‘good practice’ regional approaches to counteract negative effects not only for the immediately affected workers, but for the region as a whole.

In the project, ‘restructuring’ is understood as an important change in a firm or group of firms related to one or a combination of the following events:

\(^1\) Airbus and about 300 SMEs (Hamburg, Germany); Arc International (Saint-Omer, France); Prato Textile Industrial District (Tuscany, Italy); SAAB Automobile (Trollhättan, Sweden); Mura (Pomurje, Slovenia)
Types of restructuring events

- Bankruptcy/closure: When a business is closed or a company goes bankrupt for economic reasons, or if there is the threat of bankruptcy/closure but such can be prevented.
- Business expansion: Where a company extends its business activities (for example, insourcing, development of new products or services, addressing new markets or client groups, including internationalisation).
- Merger & acquisition: When two companies merge or one company buys another.
- Offshoring/delocalisation: When the activity is relocated or outsourced outside of the country’s borders.
- Outsourcing: When the activity is subcontracted to another company within the same country.
- Relocation: When the activity stays within the same company, but is relocated to another location within the same country.
- Internal restructuring: When the company undertakes a reorganisation which is not covered by another type of restructuring defined above.

As it was assumed that it takes some time until the regional effects of restructuring materialise, Eurofound only analysed restructuring events that have happened (or at least started) several years ago. Another selection criteria for the case studies was the existence of (a set of) regional initiatives aimed at tackling the potential negative economic, labour market and social effects of the restructuring, and that these approaches were characterised by at least some of the elements that are deemed ‘good practice’ as defined in the below box.

Elements of good practice for regional approaches tackling potential negative effects of large-scale restructuring

1. Integrated strategic approach of regional conversion
   a. Combination of measures of different policy fields, going beyond the immediate effects of the restructuring event and aiming at regional conversion and a sustainable future development of the region
   b. Consideration of the specific regional characteristics (longer term economic and labour market characteristics incl. economic structure like sectors and company size and workers’ age and skills)
   c. Going beyond job transition to avoid crowding out effects and preparing people for new jobs and skills, supporting occupational and geographic mobility

2. Multistakeholder involvement and social dialogue – Active involvement and ownership/commitment of all relevant actors throughout the whole process and good coordination among them, based on trust and transparency
3. Efficient implementation
   a. Clear and identifiable objectives
   b. Highly visible and well communicated towards the target group
   c. Delivery mechanisms and contents suitable for the target group
   d. Sustainable funding, resource efficiency and cost-benefit effectiveness

4. Effectiveness
   a. Systematic and objective monitoring/evaluation, resulting in recommendations for adjustments and/or follow-up activities that are operationally implemented
   b. Realised benefits/value-added for the affected stakeholders (businesses, workers, inhabitants) and the region as such (including groups of affected stakeholders that would not have been supported otherwise, for example as they are not immediately affected)

This paper presents some of the main findings of the project, with a focus on the multistakeholder approaches taken to manage the restructuring at regional level and social partners’ roles in restructuring.

**Characteristics of the analysed companies and regions**

The restructuring events/regions that were investigated in depth by conducting interviews with regional stakeholders involved in the restructuring (for example, company management and works councils, regional government, employers’ organisation, trade union, local economic development agency, cluster initiatives, research etc.), supplemented by an analysis of secondary material (publications, data) as far as such was available, are a mix of restructuring types, ranging from forms that are generally linked to employment growth (business expansion) to such that are causing job loss (closures, bankruptcies) in the restructuring companies.

The analysed companies have all been well established before the restructuring, partly having a history of several decades. Ownership and management structures range from family firms to companies with public shareholders. All companies are large firms and important employers in their region.

The companies differ in the way they are embedded in the local/regional business structure. This ranges from strong local business networks to not as tight but still important business relationships along the supply chain, to weak local connections.

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2 The only exemption to this is the Italian case study on the Prato Textile Industrial District. In the focus of this restructuring, there is not a single firm, but the cluster of small and medium-sized enterprises (SMEs) jointly forming the industrial district which, as such, is undergoing restructuring.
### Table 1: Case study profiles

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Restructuring company</th>
<th>Sector</th>
<th>Type of restructuring</th>
<th>Date of restructuring</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE Hamburg</td>
<td>Aviation sector – Airbus (global player with international production network employing a total of about 60,000 globally and about 15,000 in Hamburg (largest employer); 1/3 public shareholders) and a supplier network of about 300 SMEs (with a total of about 8,800 employees); rather high qualifications and skill levels among staff</td>
<td>Aviation</td>
<td>Business expansion, internal restructuring, outsourcing, merger&amp;acquisition</td>
<td>1997, 2000, ongoing</td>
</tr>
<tr>
<td>FR Saint-Omer (Nord-Pas-de-Calais)</td>
<td>Arc International – family firm since 1825 with paternalistic management style; about 11,600 workers globally (about 6,000 in France); international market leader, highly innovative; main employer in the employment area; rather blue-collar workers; high commitment to the region; strong local business relations (at least as regards some sectors)</td>
<td>Glass manufacturing</td>
<td>Internal restructuring, outsourcing, closure, offshoring/delocalisation</td>
<td>Ongoing since 2004</td>
</tr>
<tr>
<td>IT Prato (Tuscany)</td>
<td>Prato Textile Industrial District – among Italy's largest industrial districts and among the international market leaders since the 19th century; characterised by specialisation and division of work between regional companies and a ‘parallel district’ of Chinese textile companies in the region; about 3,000 companies in the textile sector; rather low education levels among workers</td>
<td>Textile</td>
<td>Internal restructuring, bankruptcy/closure, merger&amp;acquisition</td>
<td>Ongoing since the early 2000s</td>
</tr>
<tr>
<td>SE Trollhättan (Western Götaland)</td>
<td>SAAB Automobile – formed in 1937 and under to ownership of General Motors since 1990; second largest car manufacturer in the country, known for its innovation, technology and efficiency; largest private employer in the region (about 3,000 workers before the closure; workers are widely considered as highly skilled, innovative and efficient), with mainly local workforce with long tenure in the firm (strong feeling of loyalty)</td>
<td>Automotive, aviation</td>
<td>Bankruptcy/closure</td>
<td>2000-2012</td>
</tr>
<tr>
<td>SI Pomurje</td>
<td>Mura – founded in 1925; family firm being part of a holding; technologically advanced; flagship company in Slovenia and largest firm in the EU manufacturing sector; about 1,200 employees (low qualified but highly skilled); stable regional employer with sound wages and training provision; locally and regionally engaged in social terms; weak local business relations</td>
<td>Clothing</td>
<td>Internal restructuring, bankruptcy</td>
<td>Late 1990s-2011</td>
</tr>
</tbody>
</table>

*Source: Eurofound, based on case studies*

Also regarding the analysed regions some heterogeneity has to be highlighted. This not only refers to the scope of the case study regions (ranging from 55,500 to about 4 million inhabitants), but also to their economic and labour market situation (from being the richest national region and experiencing dynamic employment growth to low GDP levels and high and rising unemployment).
Table 2: Case study regions’ profiles

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Scope</th>
<th>Economy</th>
<th>Labour market</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>Hamburg (urban)</td>
<td>1.8 million inhabitants (second largest German city) total area of 775km²</td>
<td>Richest German region, with GDP per capita of more than 160% of the national average Clear dominance of the service sector while manufacturing is declining; port/logistics/maritime, trade, media and IT as important industries Economic integration with neighbouring districts</td>
<td>Clear dominance of the service sector Slightly higher unemployment rate than on German average Rising trend to part-time and marginal employment Polarisation of qualification levels Important in-commuting and some out-commuting to neighbouring districts</td>
</tr>
<tr>
<td>FR</td>
<td>Nord-Pas-de-Calais (rural)</td>
<td>4 million inhabitants (4th largest French region) total area of 12,000 km²</td>
<td>Compared to other French regions, 4th rank in GDP, but only 24th rank (out of 28) in GDP per capita Clear dominance of the service sector; automotive, textile, coal, transport, trade, health as important sectors; still dynamism in agriculture</td>
<td>1.5 million employees Clear dominance of the service sector Considerably higher (long-term) unemployment rate than on French average</td>
</tr>
<tr>
<td></td>
<td>Saint-Omer (employment area)</td>
<td>120,000 inhabitants</td>
<td>Strong concentration and specialisation</td>
<td>44,000 employees Strong dependency on few large employers Considerable decrease of industry employment High proportion of blue-collar workers</td>
</tr>
<tr>
<td>IT</td>
<td>Tuscany (rural)</td>
<td>3.7 million inhabitants total area of 23,000 km²</td>
<td>One of the most industrialised regions in Italy, with high importance of the textile sector Dominance of SMEs, with high specialisation and cross-company division of work based on personal relationships and trust (‘industrial district’) High importance of exports, particularly for the textile sector Low level of innovation</td>
<td>Clear dominance of the service sector Better labour market performance than on Italian average</td>
</tr>
<tr>
<td>Country</td>
<td>Region</td>
<td>Scope</td>
<td>Economy</td>
<td>Labour market</td>
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<tr>
<td></td>
<td>Prato</td>
<td>250,000 inhabitants total area of 360 km2</td>
<td>Mainly based on industry, notably textile; cluster of highly specialised companies characterised by cooperation along the value chain and competition within each level</td>
<td>Higher employment rate, but until recently also higher unemployment rate than on the Italian and Tuscany average</td>
</tr>
<tr>
<td></td>
<td>(employment area)</td>
<td></td>
<td>Important contribution of the Chinese immigrants to the Prato economy</td>
<td></td>
</tr>
<tr>
<td>SE</td>
<td>Trollhättan</td>
<td>55,500 inhabitants</td>
<td>Compared to the national average, heavy dependence on industry</td>
<td>Strong dependency on few large employers</td>
</tr>
<tr>
<td></td>
<td>(urban)</td>
<td></td>
<td>Few start-ups</td>
<td>Highest unemployment in Sweden</td>
</tr>
<tr>
<td>SI</td>
<td>Pomurje</td>
<td>118,000 inhabitants</td>
<td>Low GDP, value added and income; least favourable economic situation among Slovenian regions</td>
<td>Strong dependency on few large employers</td>
</tr>
<tr>
<td></td>
<td>(rural)</td>
<td></td>
<td>Textile, food, metal as important sectors; still dynamism in agriculture</td>
<td>High unemployment, particularly among young</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low education levels</td>
</tr>
</tbody>
</table>

N.B. For statistical economic and restructuring indicators also see Annex 3

Source: Eurofound, based on case studies
Also the institutional settings and general economic and labour market policy orientation differs across the case study regions. This is, on the one hand, to be attributed to national structures and their objectives (for example, autonomy granted to regional levels, and on the other hand to the above-described economic and labour market characteristics.

**Characteristics of the analysed restructuring events**

In all of the analysed cases, the background to the restructuring was a combination of developments in the macroeconomic environment and company internal issues. Such (combinations of) drivers can impose the need for change and adaption also on well-performing companies, resulting in restructuring with – at least in the short-run – positive or negative effects on the firm and its employees. Furthermore, it is to be pinpointed that in most cases restructuring was not a single event, but a series of events, with hence continuous/repeated implications for the region.

The anticipation and preparation of the restructuring by the companies shows quite some diversity across the case studies. While for the Italian Prato Textile Industrial District companies have been observed to have shown little proactive attitudes towards change as well as reluctance to restructure and the restructuring of the Slovenian Mura is assessed to have been realised without much planning and coordination by the company, the restructurings of Airbus (Germany) and Arc International (France) have been strategically decided and planned for by the company.

Next to the companies’ activities, anticipation measures of other actors involved in the restructuring from a regional perspective could be identified. In the Swedish and Slovenian case studies, for example, it is reported that due to the serial character of the restructuring, media attention or the strong familiarity of the players with the major employer in the region, the ongoing company problems have been well known to regional public and private actors, allowing for the timely establishment of mechanisms to cope with the consequences.

**Social partners’ preparatory measures targeted at individual workers affected by restructuring**

In Italian Prato Textile Industrial District, trade unions and employers’ organisations jointly succeeded in convincing the government to extend the Wage Guarantee Fund to small enterprises (under 15 employees) and artisans and lengthening of the duration of benefit receipt. The priority of trade unions and employers’ organisations was to support workers’ income and keep qualified workers linked to their enterprises to be prepared for the economic recovery.

The steps taken by the companies in the management of restructuring are quite naturally strongly related to the restructuring types and the characteristics of the firms (particularly the management style and the available financial resources). In the business expansion case of Airbus in Hamburg (Germany) it referred to the operational expansion of production and an organisational change in terms of an international merger resulting in a new ownership
structure as well as in streamlining and simplifying processes and procedures for efficiency and quality improvements. In the cases of SAAB in Sweden and Mura in Slovenia, production was decreased up to the closing of the companies. Naturally, this included job cuts. It has to be mentioned, though, that both companies were looking for alternatives to this final solution, like internal reorganisation and modernisation, trying to attract investors or new owners, selling assets to have funds for paying wages, establishing daughter companies to which healthy company parts and workers could be transferred or negotiating with business partners to secure their support. The French Arc International launched several activities to improve the business situation, such as investment plans, transfer of activities to plants abroad or reduction of production. As these resulted in the suppression of jobs, social plans were established (in strong cooperation with the works council) to support affected employees. Several of these activities went beyond the company borders as agreements were not only realised between the company management and the works council, but also involved, for example, the local government, as prescribed by the company’s legal obligation to implement a ‘revitalisation agreement’ in the framework of the large restructuring and reinforced by the strong local commitment of the company owner.

**Employees’ representatives’ activities in the management of restructuring**

In line with the legislation, the management of Arc International (France) announced to the works council its decision to run a social plan in October 2004. Rather than only informing and consulting the works council, the management, unions and elected employees’ representatives decided to engage in a ‘method agreement’. This is a legal possibility for the stakeholders to negotiate on the method on which the information and consultation in the case of restructuring is based, for example by negotiating a time schedule that is longer than what is stipulated in the law or including alternative proposals to management projects and the content of the employment plan. This resulted in a situation in which unions and works councils had more possibilities to influence the restructuring process. It is estimated that between 2004 and 2012, about 800 consultations have taken place, clearly showing the intensity of the social dialogue during the restructuring.

**Effects of restructuring at regional level**

Little economic impact of the restructuring on the region has been observed in the Slovenian case as the Mura company has little business relationships to local firms. The other cases, however, show knock-on effects. The restructuring of the Hamburg aviation sector contributed positively to a dynamic GDP, turnover and productivity growth in the region. At the same time, an increased trend for international sourcing materialised, and the number of local supplier companies decreased due to consolidation processes and restructuring of the value chain. Less ‘straight forward’ effects on the region/local area were observed in the French, Italian and Swedish case studies where the economic situation improved for some sectors/activities.
services, like business-to-business (B2B), health care or retail trade, mechanical engineering) while it deteriorated for others (manufacturing).

All case studies show important effects on the restructuring companies’ suppliers, mainly SMEs. They had to search for new/additional clients to compensate for the lost business. This seems to have been no big problem in the Slovenian case due to the lower number of affected companies and less dependency on the restructuring company. Also in the Swedish case study the effect on SMEs was limited as due to the public and media attention suppliers had timely opportunities to adapt their business model and workforce structure.

In the German case study, increased cost pressure, prefinancing needs, the requirement to deliver larger lots as well as risk sharing imposed on supplier companies is observed as a result of the Airbus restructuring which massively reduced the number of first-tier suppliers and the independence and self-control of the remaining ones.

As regards the restructuring effects on the affected workforce, the business expansion of Airbus (Germany) led to employment growth. This, however, was only partly realised through direct hiring by the restructuring company, but rather through enhanced use of temporary agency workers and service contracts as well as job creation in supplier companies (SMEs) and related industries (engineering, logistics, design) in the region (Bräuniger et al, 2010; HWWI, 2012). The other analysed cases resulted in direct job loss in the restructuring companies whereby in all cases a good share of the redundant employees could be transferred to other employers, take on self-employment or enter preretirement. Of the workers who lost their job in the SAAB restructuring (Sweden), more than 80% found a new job or started their own business. In the French case, the local net job loss is estimated to be ‘only’ about 1,000 in spite of the nearly 6,000 jobs suppressed by Arc International. New jobs were mainly created in the service sector. This development resulted in a higher number of female workers in the region.

In the German and Italian case study it was observed that transition of workers affected by the restructuring to other regional firms was difficult due to the high specialisation of the workers, the preference of other regional firms to recruit nationally or internationally rather than locally or the reluctance of workers to change due to lower pay and working conditions in the potential employer companies compared to their previous job.

Some of the project’s case studies as well as literature (Gibson et al, 1999; Dobbins et al, 2013) hint towards a regional worsening of the quality of jobs and work organisation. The large restructurings result in a lower availability of permanent jobs which increases insecurity of employment, reduces wages, fosters precarious employment and drives those in employment to work harder and longer hours. Furthermore, an increasing trend of reliance on social welfare and other benefits is reported in several of the case studies, pointing towards growing poverty and social polarisation.
Regional approaches to deal with the potential consequences of large-scale restructuring

Types of measures

In the field of anticipation of restructuring, multistakeholder approaches are not only fostered by legislation (that is, transposing European Directives dealing with the information and consultation of employees and their representatives (for example, Directive 98/59/EC on collective redundancies; Directive 2001/23/EC on employees’ rights in the event of transfer of undertakings; Directive 2002/14/EC on information and consultation related to the anticipation and prevention of crises) into national law, but also implemented in a comparatively wide range of initiatives related to local economic and employment development (see, for example, Mandl, 2009; Mountford, 2012; Dorenbos and Froy, 2011; Giguère and Froy, 2009).

In contrast to these proactive approaches, aiming at preparing the regional economy and labour market for future eventualities, the portfolio of continuously available regional multistakeholder structures that could be activated ‘in case of emergency’, that is to manage and tackle large-scale restructuring events and their effects beyond company borders, is rather limited.

Examples of permanently available interventions to tackle effects of restructuring at regional level

The European Globalisation Adjustment Fund (EGF)\(^3\) provides financial support in case of major structural changes leading to serious economic disruption. One of the intervention criteria (Article 4b) has a regional dimension and makes the fund accessible for situations of at least 500 redundancies over a period of nine months in a NACE 2 sector within one or two contiguous NUTs 2 regions, particularly if particularly SMEs are concerned. EGF funding can be used for job search assistance, occupational guidance, training, outplacement assistance, entrepreneurship promotion, support for self-employment, allowances for job search, mobility or training and for measures targeted at disadvantaged or older workers. Applying for and implementing EGF funding is the responsibility of national ministries in cooperation with regional and local authorities and other stakeholders, which are also required to provide cofunding.

In Austria, work foundations (Arbeitsstiftungen), a general restructuring support instrument based on legislation and jointly funded by the restructuring enterprise and public authorities to provide redundant workers with comprehensive reorientation, reskilling, matching and psychological support, offer a regional approach. In case of restructuring affecting several regional SMEs which by themselves would lack a ‘critical mass’ of affected workers, a regional work foundation (Regionalstiftung) can be set up, with strong involvement of the employers, the regional public employment service and social partners. (DG Employment, Social Affairs and Equal Opportunities/Héra, 2011; ERM database on restructuring support instruments⁴)

In the framework of French site contracts (contrats de site), the national and regional governments enter into active partnerships with local economic players to provide rapid suitable response to restructuring with strong local socio-economic impact. The contract specifies the role and financial commitment of each partner. (DG Employment, Social Affairs and Equal Opportunities/Héra, 2011; ERM database on restructuring support instruments⁵)

The Slovenian Foundations for the Improvement of Employment Opportunities are concerned with improving employability and redeploying workers threatened by losing their jobs. In cooperation with local and regional stakeholders, including social partners, they aim at strengthening networking among the local actors for reintegrating potentially redundant workers in the labour market. They are private organisations, but cofinanced by national and local governments and regulated by the Labour Market Regulation Act. (DG Employment, Social Affairs and Equal Opportunities/Héra, 2011)

As mentioned in the introduction, the analysed case studies have been selected on the basis that regional measures actively targeting the effects of the restructuring on the regional economy and labour market have been implemented. All regions did do so by applying not a single, isolated instrument, but a combination of measures jointly addressing the various challenges arising from the restructuring.

The facilitation of business partnerships and fostering the economic development was high on the agenda in the case study regions, to build up employment alternatives for the dismissed workers and to retain the longer-term sustainability and competitiveness of the business location.

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⁴ http://www.eurofound.europa.eu/emcc/erm/supportinstruments/instruments/view/136/austria_work_foundation_outplacement

⁵ http://www.eurofound.europa.eu/emcc/erm/supportinstruments/instruments/view/475/france_site_contracts
Facilitation of partnerships

The local government of Hamburg founded a cluster initiative in 2001 which brings together all relevant private and public actors in the field of aviation (employers, business associations, economic promotion agencies, local government, universities, research centres, engineering and service providers, vocational training institutes, private employment agencies). As of March 2014, the cluster had 100 corporate members and hence is one of the largest cluster initiatives in Europe. The cluster acts as an important label and lobbying body, implements and coordinates the acquisition of funds, offers networking and exchange opportunities in the field of R&D, training and qualification as well as enterprise support services.

In 2011, regional and local governments in Tuscany (Italy) established a permanent round table (Tavolo istituzionale progetto Prato, TIPP) to coordinate networking among regional key actors to foster economic development, innovation and the regional businesses’ capacity to manage and cope with restructuring. The TIPP brings together a broad spectrum of sectors and addresses a variety of topics, such as quality improvements in manufacturing, energy and resource efficiency, innovation, precarious forms of work and the informal labour market or youth employment and social welfare issues. Rather than elaborating concrete measures the round table functions more as a promoter and initiator of activities that are regarded as crucial for the region’s future and door-opener for financial funding, networking and synergies.

Along a similar line, attracting companies into the region and assisting new entrepreneurial projects to start-up and prosper was found as an important pillar of the case study regions’ intervention portfolio. Such was, for example, realised through strategic support to identified growth industries, start-up support for redundant workers, investment in ICT (notably broadband internet access) or providing access to business premises.

Furthermore, various qualification measures (including occupational advice and reorientation), R&D and innovation support were realised in some of the analysed case study regions, and affected workers were provided with income support and matching/job search services. Related to that, job-to-job transition schemes offered incentives for company-internal redeployment or employment subsidies for cross-company transfers as well as commuting incentives.

The above brief characterisation of interventions shows that the regional approaches to cope with the effects of large-scale restructurings are a combination of employee/labour market related and business/economy related instruments as well as of short-term/emergency and long-term/strategic measures. Interestingly, it seems that the variety of employee/labour market related types of instruments identified in the case studies is larger for emergency/short-

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6 But not necessarily the operationally implemented measures, the budget spent on or the number of beneficiaries of the various types of measures.
term orientation than for strategic/long-term perspectives, while it is the other way round as regards business/economy oriented measures.

**Table 3: Portfolio of regional approaches to deal with the consequences of large-scale restructuring**

<table>
<thead>
<tr>
<th>Employee/labour market orientation</th>
<th>Emergency/short-term focus</th>
<th>Strategic/long-term focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support of job search, matching, applications, interviews</td>
<td>Local mapping of job opportunities</td>
<td>Occupational guidance and reorientation, including training and recognition of skills</td>
</tr>
<tr>
<td>Temporary redeployment to other regional firms</td>
<td></td>
<td>Start-up support (advice, training, financial)</td>
</tr>
<tr>
<td>Internships</td>
<td></td>
<td></td>
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<tr>
<td>Public works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preretirement schemes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commuting support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment subsidies</td>
<td></td>
<td></td>
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<tr>
<td>Income/financial support for redundant workers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business/economy orientation</th>
<th>Emergency/short-term focus</th>
<th>Strategic/long-term focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice</td>
<td>Analysis of the economic situation and structure of the region and identification of growth/development potentials</td>
<td></td>
</tr>
<tr>
<td>Networking support</td>
<td>Promotion of entrepreneurship (including start-up support (advice, training, financial)) and attracting companies to the region (including revitalisation activities such as use of deserted premises)</td>
<td></td>
</tr>
<tr>
<td>Problem oriented working groups</td>
<td>Networking and clustering initiatives (including the establishment of business parks)</td>
<td></td>
</tr>
<tr>
<td>Financial support</td>
<td>Diversification initiatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R&amp;D and innovation support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Tax) Incentives for investment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional marketing/branding</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Eurofound, based on case studies; Mühge et al, 2006; Wood, 2006; Mandl, 2009; European Commission, 2012a; Kiss, 1999*
Involved actors and their roles

In general, the approaches taken are implemented in form of a multistakeholder cooperation. Already Kiss (1999) in her analysis of defense industry transformation in East Central Europe concludes that ‘even the best restructuring efforts at the enterprise or regional level are ineffective if they are isolated. The lack of shared commitment blocks or limits development. A coordinated, committed action on both sides can produce genuine long-term results that are beneficial both for the enterprises and their regions.’

In case of coping with large scale restructuring effects it can be assumed that a quick reaction to counteract immediate negative effects while at the same time also bearing in mind a longer-term strategic approach are decisive. Consequently, having available such a local network of relevant actors all the time, and not only to establish such in case of emergency, is important.

Local networks to manage restructuring

Dutch law obliges municipalities and the public employment service to cooperate in a work square (werkplein) to realise integrated labour market programmes in strategic partnerships. Work squares coordinate different actors like employer organisations, education institutions, social welfare organisations or NGOs to provide regional labour market information and to offer special services like mapping or facilitation of cooperation. Some of them have joint management teams including the public employment service, municipalities, other government departments, business or industrial consortia. (Dorenbos and Froy, 2011)

National governments are often the main actors as regards the establishment of the general framework conditions under which the restructuring takes place. Furthermore, they are generally involved in the design and funding of the approaches, as are the regional or local governments. In some cases governments also coordinate the various interventions and actors while in other cases the role of the coordinator is fulfilled by an economic development agency.

Economic development agencies, together with public employment services and providers of educational, social or other services are in general responsible for the implementation of the individual instruments.

Support of redundant employees through public employment services (PES)

In the case of the restructuring of the Slovenian Mura, the regional public employment service contacted the affected workers before the official bankruptcy to inform them as soon as possible on the registration process. When the workers received their job contract termination notice, they also received a folder with information and all necessary forms as well as a fixed date when to go to the PES office. The PES registered the redundant workers to enable them to benefit from unemployment benefits. Afterwards, they conducted a motivation workshop dealing with psychological aspects of unemployment, job seeking, CV writing and similar issues and prepared individual employment plans for the workers.
Also regional employers’ representatives and trade unions are involved in the operational delivery of the support. However, these actors also provide political support in terms of negotiating deals and lobbying for the interests of their members.

Quite naturally, also the regional businesses, notably the restructuring company and its suppliers, and their works councils are engaged in the regional measures. This mainly refers to the design, the implementation (including the follow-up of the affected workers) and the funding of the instruments. It has to be noted, however, that the role of works councils might differ considerably with the company size.

**Employees’ representatives’ support of employees affected by restructuring**

The local and national works council of Airbus (Germany) played an important role in cushioning the effects of the internal restructuring on employment and working conditions, with the main aim of achieving job security and getting the management’s commitment to avoid economic redundancies. In the framework of the company’s cost reduction and outsourcing strategy, initially the dismissal of thousands of workers was planned. This plan was modified due to the strong opposition of the trade unions and political actors. Furthermore, the works council has developed and implemented measures to reduce the share of temporary agency workers and improve their working conditions and labour relations.

In Sweden, support of redundant employees is not provided by the public employment service, but by Job Security Councils (JSC), based on collective agreements. JSC provide advice and coaching, but no income support (which is to be covered by the former employer). In the framework of the SAAB closure, two JSC immediately approached the affected workers to offer their services. In individual meetings, they familiarised them with their support possibilities and jointly developed an action plan to be followed (based on the workers’ skills and competences and job expectations). Examples for interventions are CV writing workshops, job interview simulations and forwarding vacancy notes received from employers to the workers.

In the restructuring of the French Arc International, a follow-up committee was established after the agreement of the first social plan in 2004. It was composed of four members of the works council, two appointed representatives of each trade union, one member of the company’s occupational health service, one member of the company’s social service bureau and five representatives of the management. Its role was to follow-up the implementation of the agreement, with focus on social support for the workers. The establishment of this committee resulted in a situation in which works councils and trade unions became ‘real stakeholders’ of the process.

As a last important type of involved actors ‘service providers’ are to be mentioned, that is entities like education and training providers, research centres, private employment services that assist in effectively implementing either the restructuring or the approaches to deal with the consequences.
Table 4: Overview of actors and their involvement in the approaches to manage the restructuring at regional level

<table>
<thead>
<tr>
<th>General framework conditions</th>
<th>Design of interventions</th>
<th>Implementation of measures</th>
<th>Coordination of activities</th>
<th>Financing of interventions</th>
<th>Lobbying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europen Commission</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>National government</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Regional/local government</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Public employment service</td>
<td></td>
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<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Economic development agency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Business/employers’ organisations and trade unions</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Service providers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Restructuring enterprise (management and works council)</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurofound, based on case studies; Garaudel et al, 2006; Wood, 2006; Kempermann, 2010; Dorenbos and Froy, 2011

Success factors and limitations of regional approaches

The following aspects have been identified in this project’s case studies, but also in literature (Mountford et al, 2012; Prato et al, 2012; Wood, 2006; Mandl, 2009), as decisive factors for regional approaches tackling large-scale restructurings to avoid or reduce negative consequences not only for the affected firm and its workers, but for the region as such:

- Openness towards change as regards institutional settings, policies, business models and employment aspects
- Collective spirit, commitment and active engagement as well as mutual support of relevant regional actors to jointly deal with the challenges and find solutions resulting in acceptable outcomes for all
- Integrated strategic approach and efficient implementation in terms of offering a ‘comprehensive package’ considering long-term and immediate measures, various policy fields and target groups as well as coordinating delivery rather than offering each measure in an isolated way
- Quick design and implementation
- Sustainable funding of the overall approach rather than project-based finance
- Awareness of ‘beyond the region’ developments, for example considering developments in neighbouring regions which might need to be addressed in a joint approach, national budget limitations or global market/sector developments that have potential to influence the future pathways of the region
Conclusions and policy pointers

The project presented in this paper shows that large-scale restructuring, both with positive as well as negative immediate effects on staff numbers, does not only affect the restructuring company and its employees, but has wider impacts on the regional economy and the labour market. The impact on the regional economy mainly refers to structural shifts and changed dynamism as regards, for example, business start-up activities, innovation and R&D, and seems to be stronger in mono-sector regions than in more economically diversified ones. Knock-on effects are particularly challenging for local SMEs that, as a consequence, are often required to restructure, too.

From a labour market perspective, the probably most striking finding is that even in restructuring cases related to a huge number of immediate job losses caused by one of the major employers in the region, the overall effects on the labour market can be well cushioned by an efficient and effective implementation of regional approaches to tackle the potential negative consequences. This highlights the importance of a well-designed and implemented ‘package of interventions’, designed and offered by a multitude of stakeholders to cover the required wide range of measures needed.

Preestablished cooperation structures of regional actors have been observed to considerably facilitate the process of regional intervention as it fosters mutual trust and understanding as well as the feeling of joint ownership of the activities and the willingness of each actor to make concessions within certain limits to result in a win-win situation for companies, employees and the region as such. Consequently, networking, exchange and communication are important elements that should be systematised and fostered.

The current project pinpoints that the effects of restructuring at regional level are multifaceted and diverse as regards the affected groups (companies, workers, population, institutional actors etc.) and their orientation (economic, labour market, social aspects, institutional setting, political orientations etc.). Consequently, a comprehensive approach being a bundle of aligned interventions is required rather than isolated instruments addressing individual aspects, only. This needs to be a combination of different policy fields (economic, industrial, regional, innovation, labour market, social policy). Furthermore, short-term/emergency measures that deal with the immediate effects on the labour market and the companies and long-term/strategic measures aiming at adapting the local economy and labour market after the restructuring and preparing it for a sustainable and competitive future must be integrated. To design and implement such, active multistakeholder involvement is required, pinpointing again the importance of good cooperation among regional actors and a good coordination among them, including a clear assignment of roles and responsibilities.

It needs to be ensured that the approaches take into account the specific characteristics of the region, the restructuring, the affected firm and their employees. Not only the content of the measures needs to be suitable for the target group, but also the delivery mechanisms. In this
context it is also important that the measures are clearly visible and accessible. As the approach will consist of a variety of instruments offered by a multitude of actors, a central contract point (‘one-stop shop’) providing a general overview and basic information is recommended.

From the case studies we learn that quick design and implementation of the regional approaches is decisive as delays hamper their effectiveness. Next to the above mentioned element of a preestablished cooperation structure, a factor that facilitates quick intervention is a sufficient degree of autonomy of regional/local level actors to take decisions and implement them. Quite naturally, those actors closest to the ‘problem’ have the best understanding of what is going on and what is needed, and consequently their experience and knowledge should also be considered without requiring lengthy and bureaucratic decision making processes.

However, local/regional actors not only need to be empowered in terms of autonomy of decision making, but also as regards staffing and skills. The actors need to be equipped with the expertise required to anticipate restructuring and its effects as well as to develop suitable and cost-efficient policy responses. For this purpose, cross-regional exchange would be beneficial, as would be more research on the topic. Furthermore, it needs to be safeguarded that the local actors have access to a sufficient number of staff to quickly and effectively design and implement the measures.

Another aspect that facilitates early intervention is a continuous monitoring of regional developments (economic, labour market, social) in the form of a multistakeholder ‘anticipatory local risk management’, including open communication and early warning systems. In addition, it is deemed important to not only limit such anticipatory efforts to the region under consideration, but also to have a ‘look beyond’ attitude. On the one hand, national or global economic and political developments might have an important effect on the region and hence should be considered. On the other hand, more general developments might result in a kind of competition among region as regards available support and should hence be anticipated. Furthermore, with some multinationals decision making might not take place in the local branch but in the headquarters situated elsewhere, and consequently developments beyond the region might influence it.

An issue that quite naturally is always of relevance in the context of support provision is the one of finance. Due to their comprehensive character and the need to cover a huge number of beneficiaries, regional approaches to cope with the consequences of large-scale restructuring tend to be costly. The analysed cases show that the funding not necessarily needs to be provided by the national or regional government, solely. Rather, measures can be cofinanced by the restructuring company, by social partners or cofunded by European funds. Hence, the general character of the multistakeholder approach can also be applied as regards the financial aspect, and creative/innovative solutions should be explored also in this context.

Finally, and from a more macro level perspective, a generally ‘healthy’ economic structure can contribute to cushioning the effects of large-scale restructuring. Mono-industry regions seem to
be more vulnerable to economic shocks, while on the other hand specialisation and
agglomeration without doubt also has advantages widely known as cluster effects. From a
regional perspective it would be good to find a balance between the two extremes. In this
context it is also important to consider the specific situation and needs of SMEs and provide
‘safety nets’ to avoid that they are burdened by the restructuring of their larger counterparts.

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