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This issue of Foundation Focus considers the impact of globalisation on relocation, social dialogue, measures to support those who lose out and integration of migrants, based on Eurofound research findings in these areas. The aim of each issue of the series is to explore a subject of social and economic policy importance and contribute to the debate on key issues shaping the future of living and working conditions in Europe.

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Editorial

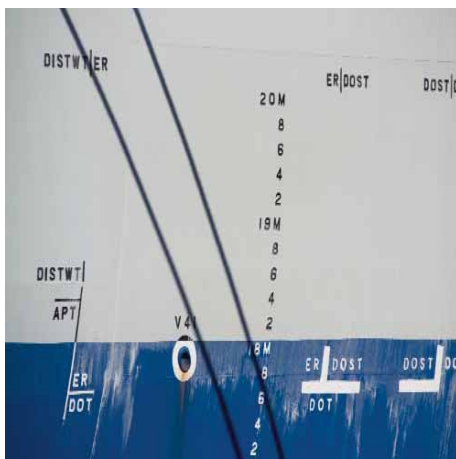
Globalisation – good or bad? The jury still appears to be out.

Economists and most politicians tell us that the end result will be a richer, better you. Companies, we are told, will benefit greatly from free international trade that allows them to compete and grow in new markets. Consumers will benefit from lower prices. Still, support for globalisation has fallen across the European Union over recent years with people highlighting the potential threat to employment as a key element in their reticence. Indeed while some companies are clearly set to reap the rewards of competitive access to new markets, other sectors and companies will suffer from the parallel influx of comparatively cheaper imports. So what to do?

One response is to restructure, to cut jobs and adapt. The activation of bodies such as European Works Councils to help cushion the negative effects of restructuring processes within multinational companies has been a direct response to the growing trend towards radical organisational overhaul.

Another response is to offshore, to relocate, to outsource. Already, many firms have scaled down their operations in various high-cost countries within the European Union, to move some elements of their production to other less developed economies either within the EU or beyond. Similar trends have been seen across the major economies of the world, with mixed results. Eurofound's conference in Poznan, Poland, on global competition and location decisions of European companies will discuss the other factors at play besides production costs.

But globalisation is not only about trade. It has a clear impact on people, on their movement across borders and the consequent changing patterns of society. How we respond to the impact of globalisation on our living and working conditions, our economic policies and our quality of life will clearly determine Europe's future within a globalised world.



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RESEARCH

Globalisation and delocalisation: the real winners and losers



Economic experts and politicians tell us that globalisation is good, that free trade will generally improve living standards. Citizens across Europe, on the other hand, are expressing rising concern about the economic impact of globalisation – see page 5. Are they irrational economic xenophobes or are economists rational fools? While there are naïve exponents of the benefits of international competition and a populist and very vocal anti-globalisation lobby, if one listens carefully to what serious economists say about free trade, protectionism and international competition, the truth is that it does not necessarily invalidate the anxieties of many citizens.

The widespread consensus among economists is that, compared to protectionism, free international trade enhances economic welfare for nations as a whole but that within countries some will 'win' and some will 'lose'. Simply put, the winners within a country are found among those who own or work in firms that, due to trade liberalisation, can export more, and the losers are those owning or working in firms that suffer from the competition of cheaper imports. Further gains from trade come from consumers being able to buy cheaper imports, which increases real purchasing power for many.

Who loses out?

So, while in general trade is good, it is clear that some do lose out from trade liberalisation and foreign competition. Depending on the type of national labour market, foreign competition will, in principle, lead to either lower pay or job loss and, given the floor of minimum wages in most European countries, job loss is the most likely outcome. It is not possible to precisely attribute jobs lost to specific reasons, but in popular debate it appears that globalisation is seen as the main culprit of job loss. For example,

many experts claim that due to international competition, manufacturing will soon cease to exist in Europe. Certainly manufacturing has declined significantly in all European countries since the Second World War but this is not primarily due to foreign competition.

Currently, in the EU25 (minus Bulgaria and Romania), 5% of all jobs are in agriculture, 25% in industry and 70% in services. The decline in agriculture has been even more dramatic than the decline in industry but this was hardly due to foreign competition and certainly not to the introduction of the Common Agricultural Policy. Instead, it was due to shifts in relative productivity (largely as a result of technological progress) and shifts in relative demand away from agricultural produce. This also applies to manufacturing: technological progress has made many jobs redundant. Similarly, there is a quite widespread conception that globalisation is the main culprit behind the increase in income inequality in most Member States in recent decades. While the jury is still out on whether this is primarily due to increased international competition or higher economic returns on higher skills and education, the

majority of economists attribute this to 'skill biased technological change'.

The case for a new paradigm

Some argue that this time it's different and certainly the doubling of the potential global labour force that has occurred since the 1990s with the fall of the Soviet Union, de-regulation in India and the full entry of China into the World Trade Organisation are truly momentous historical events, bringing the entire world into the global trading area for the first time. Moreover, it is claimed that the developments in information and communication technologies mean that services, which previously have required the simultaneous presence of the consumer (client) and producer (provider) in the same location, open up new areas for international competition in services.

There has been much speculation about how many service jobs could be at risk if trade in services became a reality. Upper limit estimates of the number of European service jobs at risk range from 44% (Forrester Research) to just under 20% (OECD). While one could argue with the value of these estimates, they do indicate the immense implications for labour market adjustment if trade in services became truly significant.

Improvements in ICT also allow firms to exercise better control of production networks and facilitate communication between units globally. This in turn allows international trade in much finer stages of the supply chain. Well known examples of this offshoring (or delocalisation) of services previously conducted in-house in high labour cost countries that are relocated to low cost countries include customer support services and various back-office functions.

Table 1: Cases of restructuring involving job losses and offshoring in the EU, 2003–2006

	Total cases involving job losses		Cases involving delocalisation		Delocalisation as % of total	
	Number of cases	Announced cut in employment	Number of cases	Announced cut in employment	Number of cases	Announced cut in employment
2003	745	525,389	55	47,011	7	9
2004	745	662,986	89	45,241	12	7
2005	1,049	657,072	112	63,894	11	10
2006	936	600,346	100	38,144	11	6
2003–2006	3,475	2,445,793	356	194,290	10	8

Source: *European Restructuring Monitor*

Evidence of offshoring

The European Restructuring Monitor (ERM) provides evidence of offshoring and other restructuring trends in Europe. In the 2007 ERM annual report, *Restructuring and employment in the EU: The impact of globalisation*, an analysis was made of ERM offshoring cases in 2003–6 in order to study recent developments. Table 1 shows that offshoring accounted for approximately 10% of cases of restructuring involving job loss (356 out of 3,475 cases in 2003–6) and 8% of announced job losses. Total jobs offshored and captured by the ERM amounted to just less than 200,000 jobs over the four-year period and there was no indication of an increase in offshoring over the period.

However, there was considerable variation among countries. It accounted for around 25% of total job loss in Portugal and Ireland and less than 5% in the Netherlands and Belgium. The jobs offshored from EU15 are largely in the medium to high-tech sectors. The sector accounting for the highest proportion of EU jobs lost through offshoring (one in four of the total) was banking and insurance, a service sector with a generally high-skill profile. Relatively few of the jobs lost from offshoring were in more basic industries such as textiles and clothing. Again, however, there is some variation by country in the sector concentration of offshoring job losses. Around 50% of offshoring job losses are in the automobile sector in Germany and Portugal, over 30% of are in electrical machinery in Finland while 60% of UK offshoring job losses are in banking and insurance. Overall, however, the manufacturing sector still dominates and accounts for one in two offshored job losses. The service activities that are offshored are largely in call centres, operational activities, administrative and

financial operations and back-office and accounting functions.

Where the jobs go

The main destination of offshored jobs from EU15 is either Asia or the new Member States with broadly equal numbers going to each area. However, there are, again, differences between Member States. 85% of UK jobs offshored were relocated to Asia, mainly to India, while a similar percentage of German jobs offshored were relocated to the new Member States. A majority of service sector jobs have been offshored to Asia while manufacturing jobs are overwhelmingly offshored to the new Member States.

While offshoring certainly is an empirically significant phenomenon, evidence from the ERM indicates that it is hardly occurring at the level that should be of great concern to the workers of Europe. This is not to diminish the serious consequences of job loss for many individuals. Research shows very clearly that, on average, job loss leads to significantly lower earnings and other welfare losses such as poorer health.



However, it is arguable that the loss of jobs in heavy industry, for example in mining, iron and steel production, shipbuilding and textiles in the 1970s and 1980s, and which were also partly due to international competition, led to considerably more job losses than those experienced in Europe over the last decade.

The real concern

The economic performance of China and India has been highly impressive and both have increased their market share of EU imports. It is not just the size of these economies that has led to their success in European markets. Chinese manufacturing and the provision of services from India has exhibited high growth in total factor productivity and there is no particular economic reason to suppose that they will not continue to do so. This is the essence of the valid of concerns of the European citizen. The economist's theory of comparative advantage shows the indisputable mutual advantages of trade compared to protectionism. However, given that there is free trade, it is equally unquestionable that if there is, for example, an increase in productivity for Chinese goods where Europe has a comparative advantage (high-tech activities) this can induce a permanent loss of per capita real income in Europe. Economic welfare can be maintained in Europe only if it continues to maintain a productivity gap with China in high-productivity activities. As China is continually increasing productivity even in the high-tech sectors, the only viable strategy for Europe is to ensure that it remains ahead of the high-tech pack. The only other alternative is protectionism, which yields other and greater losses.

Thus, one should be clear about this: globalisation can pose problems and, due to their size, India and China can pose big problems. The often quoted Lisbon commitment to make Europe 'the most dynamic and competitive knowledge-based economy in the world' is the key goal for European economic policy in the globalised world. Delivery of this high road to global competitiveness lies primarily with the Member States, by first fully adopting national ownership of the Lisbon Strategy and then implementing it by the means appropriate to their national contexts. Those countries that successfully adopt the high road to global competitiveness will be the winners among nations and those that do not will surely lose.

Donald Storrie

Growing sense of unease

Globalisation produces winners and losers: this is now generally agreed. And, according to economic theory, the winners will outnumber the losers in the long run. This claim has done little to reassure the European citizen to date.

Support for globalisation has actually fallen, not increased, among Europe's citizens. There are very few national opinion polls examining the attitude towards globalisation in the Member States. However, in 2003, the European Commission used its ad hoc survey tool, the *Flash Eurobarometer*, for an extensive survey of attitudes towards globalisation in the then 15 EU Member States. The results of the 2003 special survey can be compared to opinions voiced in 2006, when a general question on globalisation was added to the regular Eurobarometer survey. Also in 2006, another special Eurobarometer survey was conducted, asking specifically whether respondents thought globalisation represented an opportunity for companies because of the opening up of markets or, alternatively, whether they considered it a threat to companies and employment.

A shift in attitude regarding globalisation is evident. The 2003 survey had revealed a generally positive view of globalisation. Defined as 'the general opening-up of all economies, which leads to the creation of a truly worldwide market', 63% of those surveyed across the EU15 responded that

they were in favour of this development, while 29% were opposed. Three years later, a different but closely related question asked respondents to indicate whether the term 'globalisation' brought positive or negative connotations to mind. This time around, only 42% of European citizens saw the positive, while 44% focused on the negative aspects.

The message is even clearer when citizens were asked about the threats and opportunities of globalisation (special Eurobarometer 65.1). In 2003, more than half of respondents (56%) in the EU15 saw globalisation as an opportunity for companies. When the same question was asked again three years later – this time in 25 Member States – only 37% of respondents in the EU25 held the same view. Further evidence for this mood swing: the numbers of those seeing globalisation as a threat to employment went up from 39% in 2003 (EU15) to 47% in 2006 (EU25).

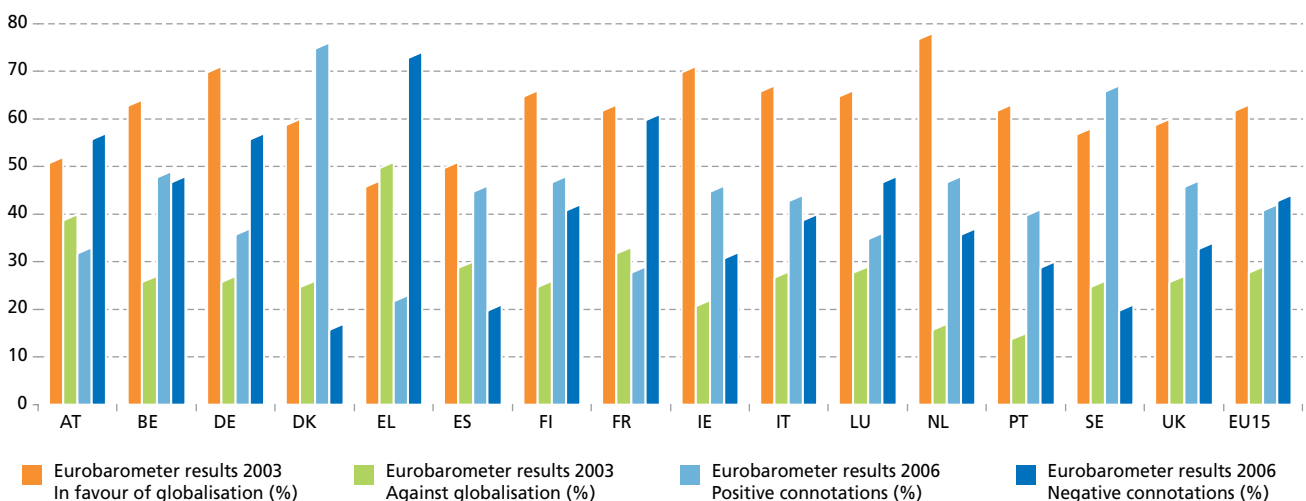
The change is not exclusively due to large numbers of globalisation sceptics joining the EU in the new Member States. Attitudes in the EU15 countries have also

changed dramatically. The proportion of citizens viewing globalisation as a good opportunity for companies dropped in all old Member States by 10 percentage points or more. Denmark is the only exception here. The most dramatic change can be seen in Germany and Finland: where there used to be a large majority of citizens regarding globalisation as an opportunity, they are now a minority with the best part of the population now viewing it as a threat.

Regardless of whether or not these perceptions of globalisation are based on empirical evidence, policymakers cannot afford to disregard them. Support among citizens for further rounds of trade liberalisation and market opening will have to be earned – through institutional responses demonstrating that short-term and often painful adaptation to a globalised world is adequately addressed and managed.

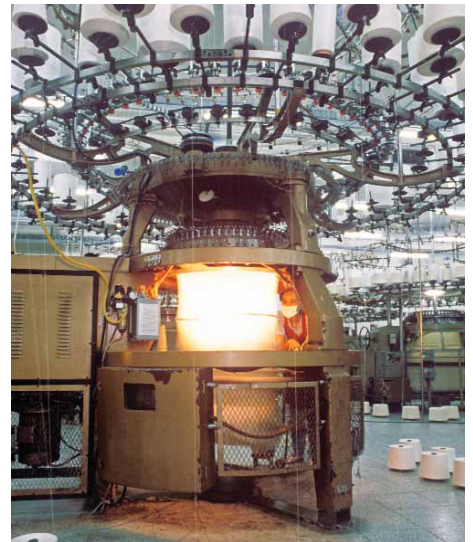
Barbara Gerstenberger

Table 1: Respondents' perception of globalisation, 2003 and 2006, EU15 (%)



Source: Eurobarometer, October 2003 and February–March 2006

US and Japan – where have all the jobs gone?



A visible feature of deepening economic globalisation is the apparently increasing tendency for companies to transfer all or part of their operations from one country to another. In its most high-profile form, this involves companies headquartered in advanced industrialised economies closing or scaling down their operations in those countries (their home country or others) and moving them to less developed economies. The process can involve the production/assembly of goods or the provision of services. It is known variously as 'relocation', 'offshoring', 'delocalisation' and 'offshore outsourcing'.

Such relocation may be internal, with the firm moving production or service provision from its operations in one country to its new or existing operations in another. Alternatively, it may be external, and involve the purchase of products or services – usually previously manufactured or provided internally – from an external company in another country (a process termed 'outsourcing').

As discussed in the article on the winners and losers of globalisation (p.3), this is an issue that concerns all Member States, to various degrees, but it has far wider consequences. All industrialised countries are facing increased competition, primarily from Asian countries. While, in Europe, relocation mainly occurs from EU15 to central and eastern European countries or Asia, the question is where do American and Japanese jobs go?

Where the production goes

In the US, the main trend is towards outward relocation: garment assembly,

automotive and aerospace goes to Mexico; low-skill light manufacturing and higher-end engineering to China; telecommunications, IT, finance and transportation to India. Research conducted by Cornell University and the University of Massachusetts (Amherst) for the US-China Economic and Security Review Commission show that 80% of jobs moved offshore were in manufacturing.

A similar tendency for outward relocation is found in Japan. The sectors most affected are textiles, manufacturing of ICT equipment, transport machinery, electronics and chemicals. The main destination for these jobs are China, but also Indonesia, Malaysia and to some extent the EU and the US.

China is an inward-relocation site as well as Mexico, whereas Brazil experiences both inward and outward relocation but not at high levels.

The main reasons cited for relocation were lower production costs, including labour costs, and proximity to expanding markets. Finding locations

that provide the necessary skills base is considered crucial for higher value-added activities.

What trade unions say

Eurofound research has analysed the attitudes and responses of trade unions and employers with respect to relocation of jobs. The responses differ in Europe, Japan and the US. European trade unions consider delocalisation often as a threat made by employers to force concession bargaining or constrain wage developments; they want to be involved at an early stage of any restructuring process, with actual possibilities to influence the final decision; they oppose particularly the relocation of profitable activities, as they see it as an excessive attention to shareholders to the neglect of other stakeholders. European trade unions would like to see rules introduced that avoid social dumping and support the extension of basic labour rights and standards. They consider the relocation of certain activities as inevitable, but find it important to have measures in place to support the development of skills and innovative business initiatives

In Japan, the Japanese trade union confederation Rengo considers relocation as an inevitable trend. It maintains that companies off-shored should respect core labour standards and the OECD guidelines. Rengo is in favour of labour management consultation processes and asks for implementation of industrial, employment/regional development policies to address the economic and employment impact of relocation.

In the US, the trade unions are less accepting of the rationale for relocation: they recommend a complete rewriting of the rules governing the global economy, such as the NAFTA agreement. There are also suggestions for health care reform, government tax incentives focusing on job creation, public procurements regulations, denying government R&D funds to companies that transfer technology and creating a better safety net for redundant workers. While they support raising living standards abroad, they feel this should not happen at the expense of American workers.

What employers say

In the EU, employers would welcome intervention to foster firms' competitiveness through labour market flexibility, wage moderation and infrastructure development. They argue that relocations can ensure the viability and growth of the domestic economy and should not be considered a wholly negative phenomenon. They acknowledge that industrial relations play a role in achieving the competitiveness goals.

The Japanese business federation maintains that there should not be obstacles to relocation which is a way to cut costs and strengthen international competitiveness and it presents a form of 'international contribution'. Domestic industry should stay strong and competitive not least on employment grounds.

American employers adopt a position similar to that of their European counterparts: they argue that if they want to stay competitive at the global level they have to improve profit margins. Relocations are helpful for the US economy as a whole, although unfortunate for individual redundant workers. They stress the fact that there are high costs of doing business in the US (such as healthcare and pension coverage) as well as regulatory issues (for example corporate tax, litigation costs, etc).

Stavroula Demetriades

CLIP

Reflecting the changes in society

More globalisation also means increased movement of people across national borders. This poses questions regarding how to best integrate newcomers and deal with changing patterns of society. In its second module, the CLIP project (European network of cities for local integration policies for migrants) studied diversity policies in 30 European cities. The focus was on personnel policy within city administrations, access to employment, career development and salaries and delivery of services to migrants. Here, Arthur van Schendel, diversity manager of the City of Amsterdam, presents experiences based on the municipality's approach to increasing the representation of women and migrants in the administration's workforce.

Role of local authorities

Diversity and integration policy in the broadest possible sense is high on the political agenda in Amsterdam. The diversity and integration policy's target groups include:

- Underprivileged women
- Underprivileged immigrants
- Underprivileged Dutch people
- Disabled people
- Homosexuals

Improving social cohesion in the city has been a spearhead of political policy following the murder of Dutch filmmaker Theo van Gogh in 2004.

Local authorities play several roles in the communities they serve. One important role they have is to identify social problems. Another important role is to facilitate solutions to the problems they identify. They are, of course, also important employers in their communities. Sometimes these roles support each other. It is known that increasing the diversity of the municipal workforce helps to integrate people from marginal groups.

A city with many faces

Amsterdam is a city of 750,000 inhabitants and 176 nationalities. The fact that unemployment among immigrants is higher than among non-immigrants is currently a serious social problem in the city. Some 52% of the Amsterdam population are native Dutch, while 34% are immigrants with a non-Western background (including 69,000 Surinamese, 65,000 Moroccans and 38,000 Turks) and 14% have a western background (from Europe, North America, Australia, Japan and Indonesia/former Netherlands-East Indies). Most non-western immigrants are religiously observant, and most of them are believers in Islam. A relatively high number of them face difficulties in relation to unemployment, debt accumulation, speaking Dutch, health, and early school-leaving. The problems faced by Surinamese and Turkish people in regard to these problems are decreasing, while those faced by Moroccans are increasing.

Changing recruitment strategies

The present workforce of the municipality does not reflect the composition of the Amsterdam workforce as a whole. For the city council this represents a problem, because it means that the city cannot

serve its communities effectively. In general, there is an under-representation of women and young people in management positions and immigrants in functions across the entire spectrum. The council intends to establish itself as a role model with regard to the representation of the city's population in street surveillance, front office functions and management, among other areas of work. It therefore needs to attract more qualified immigrants to the organisation.

Amsterdam has established a policy on diversity based on the following four pillars:

- ⌘ Personal management targets for the directors of the city services; with control via the planning and control systems
- ⌘ A new focus on the hiring of new personnel and on adequate data collection
- ⌘ Career development and training opportunities
- ⌘ Management support

The City intends to implement a policy under which only qualified immigrants and women are hired for its management teams until the targets are met. The aim is to ensure that some 50% of the management teams are women and some 25% are immigrants by the end of 2010.

The following targets have been set for the entire municipality:

	2007	End of 2010
Women	42%	44%
Women in salary scale 10 and above	38%	44%
Immigrants	22.5%	27%
Immigrants in salary scale 10 and above	11%	15%

City services will be required to register all immigrants on their workforces. Employees may choose not to register, but management will still be required to provide estimates of the percentages of immigrants in their organisations.

Recruitment and selection is the first and most important way to achieve these targets. One of the city services recently experimented with a policy under which all open positions were reserved for qualified immigrants as the first choice. As a result, the percentage of immigrants on its workforce increased from 19% to 22% within six months. The city service concerned succeeded in finding a qualified immigrant in six out of ten cases.

Responding to the critics

There are a number of arguments against a specific intention to hire immigrants and women. For example, it is often said that it is difficult and indeed sometimes impossible to find qualified people in these categories. For some functions this is true. But the main point is that white heterosexual males can be appointed to an open vacancy only if absolutely all avenues have been explored in the search for qualified immigrants and women for that particular role. The real problem is not so much to find people to fill positions in the short term, but in finding suitable female or immigrant successors to people who may be leaving their functions in the longer term. How can the municipality ensure a suitable successor to someone who will be leaving his or her job in five years' time, for instance? What kind of education system should be encouraged to achieve this?

Another argument is that policies like these tend to exclude qualified people. But if policies such as this one are not implemented, there is a risk that the City will effectively be discriminating against qualified people who are currently

excluded from influence on city policy-making, who could also be role models in their communities and offer a recognisable service to the diverse population.

The most important message for city administrators is: DO something.

- ⌘ Don't hold back from including immigrants in your organisation.
- ⌘ Set hard targets for managers, but be sure to use persuasion too.
- ⌘ Ensure that managers understand that the policy is temporary, and will be revised once all targets have been achieved
- ⌘ Be sensitive to culture. Don't plan team outings during Ramadan, for instance.
- ⌘ A Personnel Manager with a different background can act as a good role model and source of information.

And ask yourself what you will do when a vacancy next opens up in your team.

Arthur van Schendel, City of Amsterdam

European Works Councils: Do they work?



European Works Councils (EWCs) were born out of restructuring. How they deal with this issue, therefore, is surely the acid test of whether or not they are achieving their stated purpose – ‘to improve the right to information and to consultation of employees in Community-scale undertakings and Community-scale groups of undertakings’. Before the EWC-Directive, employees and their representatives did not have any access to transnational management decision-making.

But do EWCS really have an impact in restructuring processes? Are they able to voice the interests of their employees? Evidence from Eurofound research on restructuring suggests that there is enormous variation in EWC practice in this area, but that relatively few bodies have influenced transnational corporate restructuring in an appreciable way through the exercise of their information and consultation function.

Information and consultation on restructuring

According to the agreements establishing them, most EWCs (approximately 80%) should receive regular information and consultation on general topics (e.g. employment matters, business/production or company structure) that may be relevant to transnational company restructuring. A smaller majority (around 60%) are supposed to be informed and consulted on specific restructuring-related topics (e.g. transfers of production, mergers, cutbacks and closures). Furthermore, in the event of ‘exceptional circumstances’ (essentially transnational company restructuring) taking place between regular meetings, an extraordinary information and consultation procedure will be activated according to most EWC agreements (over 80%).

Most EWCs, therefore, seem quite well equipped to be informed and consulted regularly on restructuring-related issues. However, it appears to be relatively rare for agreements to state that the information and consultation should occur at such a time as to allow for meaningful consultation, or for the EWC’s position to be taken into account. In addition to this, a specific provision enabling the EWC to produce an opinion at a particular stage of the procedure seems even rarer.

Furthermore, few EWC agreements depart from the very general definition of ‘consultation’ in the Directive (and the national legislative measures implementing it) as ‘the exchange of views and establishment of dialogue’ between employee representatives and management. Only a small minority of agreements (one in 10) contain additional provisions on more in-depth consultation (e.g. the right for employee representatives to respond formally to management proposals and to receive a considered response from management before it acts) or allow for a negotiating role. It is also important to recall that EWCs are not competent in matters falling under the scope of national-level consultation or negotiating processes and are restricted to dealing with matters that correspond to a particular definition of ‘transnational’.

Variety in practice

Mostly, the role of EWCs seems to be one of communication, or ‘consultation’ in the sense of the Directive, with management providing information and employee representatives asking questions or voicing their views and concerns. The evidence suggests that only a minority of EWCs have succeeded in going beyond this level of impact and have exerted an effective influence on company restructuring. There are no known cases where an EWC has materially influenced a strategic business decision leading to restructuring – arguably, there is no reason to expect that EWCs should do so, as they are not conceived as decision-making bodies or as substitutes for a board of director. However, there are cases where they have been involved in and affected the decisions on how to implement the restructuring. A number of EWCs have in fact been able to help ensure that employment and social aspects are taken into account to varying extents in restructuring (examples include those at Aventis, Bayer, Electrolux, Group4Falck, Henkel and Whirlpool). This often occurs in an informal and hard-to-measure way, but there are a small number of known cases (at least 19) where management and the EWC have concluded some type of written agreement on restructuring matters.

European joint texts on restructuring

These accords may take the form of references on how to deal with restructuring in a wider agreement on corporate social responsibility (as at EADS, PSA Peugeot Citroën, Renault and Suez). They can be in the form of rules and guidelines for dealing with restructuring (as at Axa, Danone, Deutsche Bank, Dexia, Diageo and Total),

or negotiated responses to a specific Europe-wide restructuring exercise (e.g. Danone, Ford, GM and Unilever). The latter two types of agreement – which make up about a quarter of all so-called joint texts signed by EWCs – to some extent resemble collective agreements in the national sense, in that they often deal with concrete pay, conditions and employment issues. They also usually lay down a set of guarantees for the employees affected by the restructuring (e.g. job security, the avoidance of compulsory redundancies or maintenance of current pay and conditions) and/or set out accompanying measures such as retraining or redeployment. The EWC joint texts generally require implementation through national-level bargaining and usually outline a procedure to be followed up by the EWC. They also often include procedural rules on information, consultation and negotiation.

Such joint texts are the clearest and most advanced expression of EWC involvement in company restructuring. They underline that EWCs can be used as a forum for the negotiation of mutually beneficial solutions, especially in terms of handling or avoiding job losses and, dealing with the consequences of the changes for employment conditions.

EWCs have challenged company restructuring initiatives in the courts. This happens almost invariably on the grounds that information and consultation procedures have not been followed correctly, with reference to the terms of the agreement establishing the EWC or to the law. Successful challenges include cases against Renault (France, automobile), Panasonic (Japan, electronics), Otis (US, lifts) and Alstom (France, engineering)

Involvement in transnational business decisions

With many multinationals with EWCs facing restructuring, the obvious question is why so few EWCs have a clear input on the process beyond their communication function. The involvement of EWCs in transnational business decisions is the most disputed area of their operation. Management tends to seek the involvement of the EWC at later stages, when implementing the decision, and ensuring that the decision is accepted. Employee representatives claim that the EWC needs to be informed and consulted before a decision is taken and the details



of its implementation have been finalised. Earlier involvement, at a stage when at least some issues are still open, seems to depend on a variety of issues, such as the provisions of the agreement establishing the EWC, management attitudes and the constraints imposed by confidentiality requirements and stock-exchange rules.

Factors influencing EWC impact

A key factor in involving EWCs in restructuring in a timely fashion is the existence of a facility for extraordinary meetings, or of some form of ongoing communication between management and employee representatives between full EWC meetings, usually through an active select committee that meets regularly.

Other factors in an EWC's ability to play a meaningful role include its relationship with national and local levels of employee representation and its place within the overall flow of information and influence in the multinational (e.g. national structures and processes, especially in the company's home country, may remain the most important channel for communication and representation, despite the existence of an EWC). The degree of organisation of labour within the country and the organisation also play an important role. The stronger trade unions and works councils are, particularly in the home country, the more likely EWC involvement will be. Some international trade union organisations have developed policies on EWC involvement in restructuring.

The type of restructuring concerned may be relevant, with 'negative' changes to the company, notably involving the loss of

jobs, more likely to attract the interest of employee representatives and prompt them to seek influence. These are often situations in which the multinational's various operations are in competition with each other. This in turn tends to weaken the ability of the employee side to reach consensus and influence the restructuring process.

A final issue to be mentioned is the nature of the company concerned and how it is organised. It is notable that many of the EWCs which had the most visible input into restructuring are in companies in sectors such as automotive, food/drink and finance, which are characterised by internationally integrated operations. EWCs are more likely to become actively involved in restructuring in companies that see such engagement as having advantages, notably in gaining acceptance for change.

There was little specific previous research into the influence of EWCs on restructuring, but Eurofound's review of the available documentary and empirical evidence show that the meaningful involvement of EWCs in transnational company restructuring, and how EWCs deal with this issue, cannot be separated from their overall nature and activity. Since restructuring may in some sense be the most important issue to be tackled by an EWC – in terms of impact on the jobs of the workforce – it is likely to have a higher profile than other matters and its treatment may highlight the strengths and weaknesses of a particular EWC. Strong EWCs will tend to be particularly influential and active in restructuring situations, while weak EWCs will tend to be largely symbolic and ineffective in such situations.

Christian Welz

RESEARCH

Getting back to work – ALMP and globalisation



In January 2007, Perlos, the largest maker of plastic parts for mobile phones, announced that it would cut more than 4,000 jobs worldwide. Most of its Finnish workers were in Northern Karelia, the region with the highest unemployment rate in Finland. The redundancies at Perlos Finland and its local suppliers follow a general trend among mobile phone manufacturers towards relocation of production to faster growing mass markets and to areas with cheaper labour costs.

In the first quarter of 2006, 42% of Perlos' global factory space was in Finland, 26% in China and none in India. After the restructuring, the Perlos Finland plants were closed while Chinese factory space increased to 58% and 12% were now based in India. In addition, the 12% previously existing in the United States had gone by 2007 while new plants in Mexico now account for 10% of total factory space.

European support

In July 2007, Finnish authorities applied to the European Commission to use the recently created European Globalisation adjustment Fund (EGF) and were subsequently awarded €2 million for active labour market policy (ALMP) measures for the 915 redundancies (906 in the two Perlos plants and nine from upstream suppliers). The measures applied included occupational guidance, training and re-training, entrepreneurship promotion, mobility allowances, pay subsidy vouchers and vocational skill and competence analyses.

The EGF was a political initiative from President Barroso who in 2005 proposed a fund that would provide a European response to those adjusting to the consequences of globalisation, acting as a sign of solidarity from those who benefit from open trade to those who face the sudden shock of losing their job. There is an obvious political logic in the EGF. As trade agreements are practically the sole prerogative of the European Union, the negative consequences of trade

liberalisation agreements should also be dealt with by the Union.

A financial contribution from the EGF can be provided where major structural changes in world trade patterns lead to a serious economic disruption, notably a substantial increase of imports into the EU, or a rapid decline of the EU market share in a given sector or a delocalisation to third countries. All in all, it is envisaged that €500 million will be made available for this purpose.

Best use of funding

The ERM annual report 2007 examined the research evidence to find some indication of how the EGF money could be best spent by Member States. The first conclusion was that there was surprisingly little firm evidence on what type of ALMP works for workers displaced during restructuring. Very few evaluations have a control group upon which to draw conclusions regarding the value added of the implemented measures. However, by analysing the few existing proper studies and adapting the lessons on the efficiency of ALMP measures for the unemployed that can also be applied to displaced workers, some conclusions emerged.

The main conclusion is that job-matching services such as intensified job search and career counselling are the most efficient measure for unemployed workers in general. There are good reasons to believe that they may be particularly efficient when applied to displaced workers, whether they are displaced due

to globalisation or any other reason. It is difficult to generalise on the type of training that should be provided as this depends on the state of the particular labour market in which the restructuring occurs. However, the very few proper evaluations of labour market policies addressed to displaced workers suggest that to have a positive effect, the policy efforts must be extensive and include a significant amount of general schooling. When positive effects are found for participants in such programmes, they are not immediate and thus suggest a longer follow-up period than typically has been the case.

Avoiding competition

Finally, it is important to stress the policy implications of the 'crowding out' phenomenon. The most common measure of success of policy after restructuring is the re-employment rate of the displaced workers. Expressed somewhat provocatively, one could call the re-employment rate simply a measure of the success that the displaced workers had in winning the competition against other members of the local labour force for the available vacancies. The extent to which policy gave them such an advantage is obviously of concern as they are in a different position than people who are targeted because they are part of a disadvantaged group and there is no social motivation for this priority. This argument is based on the assumption that ALMP does not create new jobs. Successfully reintegrating workers who have lost their jobs through restructuring requires a more holistic approach, involving regional initiatives and targeted industrial policies. And in order to measure the success of such measures, it is not sufficient just to look at re-employment rates but to analyse macro indicators such as the local employment and unemployment rates.

Donald Storrie

A bumpy ride for Belgian carpets



LDP is a survivor. The roots of the Belgian company go back as far as the 1920s. Back then, the company was called Louis de Poortere and produced high-quality carpets. It is still doing that today. But the turbulences of trade liberalisation and globalisation have made the past 30 years a bumpy ride for textile companies in Belgium.

The company history mirrors the challenges faced by the entire EU textiles sector. In the 1970s, with around 3,000 employees, it was one of the most important Belgian companies in the sector. By August 2000 employment levels had shrunk to 500 workers when Louis de Poortere had to declare bankruptcy. The availability and use of more productive machines had led to overcapacity in the textiles sector worldwide and few European countries at this stage were still able to compete globally on wage levels. The two most profitable product lines of the bankrupt Belgian company were saved by selling them to two different buyers. The Dry Tex Group took over 250 employees from Louis de Poortere and created SA LDP.

Restructuring plan

But the struggle did not end here. In 2004, the new company, SA LDP, was again facing restructuring. What saved the company was the decision to specialise in a high value-added segment of the increasingly globalised market. However, there was a price to pay: 52 workers lost their jobs. The crisis manager Michel Verheelst, appointed under Belgian law and experienced in the textile sector but external to the company, described LDP as 'a straightforward and easy case'. According to Verheelst, all parties involved, including the social partners, knew that the restructuring plan was the only way for the company to survive. As a result, there was hardly any opposition.

Consultation with employee representatives on the restructuring plan started early, as is foreseen by Belgian law. The company originally announced that 68 jobs would have to go. The trade

unions presented alternative solutions and 16 employees were offered part-time employment instead of redundancy, with unemployment benefits compensating for the period they were not in work. 22 workers opted for early retirement, 9 staff moved internally to a different product line and 22 agreed to voluntary redundancy.

Support during transition

Those employees, who did lose their work, turned to 'Artlaine' for support. This organisation is a so-called reconversion unit, a retraining and support centre. Centres like these had been set up in the 1970s by the Walloon government in cooperation with trade unions and FOREM, the Walloon employment and training agency. The unit is open seven days a week to support workers with job seeking, skills assessment and administrative help. As Marlyne Decroix, a career advisor at Artlaine, describes the function of the unit: 'Our role is to look at everyone's situation, analyse how the particular individual deals with the layoff and the "mourning period" which inevitably follows the loss of their job. We help each of them to get through this painful transition period as well as possible.'

Reconversion units are co-financed by the regional and national government and, as in the case of Artlaine, often receive support from the European Social Fund. The unit was able to help some of the former LDP employees to find new employment quickly, as demand for skilled weavers is still high in Belgium. Others found the transition more difficult. Even after years of adaptation in the sector, many workers are still resistant to

the idea of changing jobs, even within their own enterprise or occupation, let alone changing career. The fact that wage levels in LDP were above average for Belgium did not boost the motivation to take similar jobs at lower salaries. Thirdly, even though they possessed highly specialised skills, many workers lacked the breadth of knowledge that would have made it easier to adapt and move to different positions, even within the sector.

Michel Verheelst, crisis manager for LDP, therefore concludes: 'Considering the experience I have in dealing with companies in restructuring, I now believe it is very important to take a pro-active approach. That is why I am currently following a pilot programme in which my employees are following a training course now, when the business is doing well rather than in bad times, when it is too late. At least they will be ready to face the challenges of having to adapt to changes when needs be. Moreover, the training gives them broader skills which is what is really needed in the current globalised market.'

Managers at LDP acknowledged that they had failed to adequately anticipate the difficulties the companies was experiencing and perhaps waited too long to develop a restructuring plan and prepare their employees for the change. It is clear to the company now that in the ever tougher competition on a globalised market, European companies have to offer high quality, high value-added products with fast response times. This mirrors the recommendations of the 2003 Commission Communication on the future of the textiles and clothing sector as well as that of the High Level Group on textiles and clothing. However, as the case of LDP demonstrates, divesting less profitable, lower value-added product lines – thought to be the only way to save the company – does lead to the loss of jobs. Ensuring the availability of a highly skilled but at the same time flexible and adaptable workforce remains a challenge.

Barbara Gerstenberger

INTERVIEW

The capacity to adapt – Slovenia's response



Slovenia is experiencing both sides of the globalisation debate. Preserving jobs by training the workforce and creating high-value employment is a priority for the government. According to the Slovenian State Secretary at the Ministry of Labour, Family and Social Affairs, Mrs Romana Tomc, the social partners have demonstrated in the past that they can work together well to face this challenge

How do you tackle the challenges and take care of the opportunities of globalisation from your position?

You have posed this question in a positive light, which strikes me as important.

Globalisation brings new opportunities, not just in the economic, but also in the social and cultural spheres, although unfortunately this is just one side of the coin.

We are faced with new awareness regarding the urgent need for different approaches, not just in how the economy functions, but also regarding the role of the state in defining strategies and forms of support for implementing development priorities.

The capacity to adapt to new circumstances will determine whether we will be winners or losers in globalisation. How alongside the success of globalisation will we deal with social stratification, poverty and unemployment? We are all at the same time profiting from the generated prosperity and captives of development and progress.

At the ministry we are well aware of this, and we are attempting through the measures available to us to mitigate the

negative consequences of globalisation, and to create for the inhabitants of our country an environment in which they will want to live. We must promote the development of jobs that create high added value, and must encourage unemployed persons to gain new qualifications and restructure the system of social assistance appropriately.

Despite its high profile, off-shoring of employment is currently responsible for only 8% of job losses in the EU. What factors drive companies in your country to relocate in the face of increased competition?

Companies are seeking new employment prospects primarily in regions and countries with cheaper workforces, in order to create competitive advantages which they are forced to adopt by competition in the market. In any event this is questionable from the aspect of ensuring long-term quality, as well as the impact on the existing status of employees in domestic companies.

Cheaper labour is one of the key reasons for relocating production to foreign markets, so numerous activities of the

ministry of labour are therefore geared towards preserving jobs and incentives for employers. Thinking needs to be redirected towards this primarily in relation to increasing the productivity of the existing workforce, and investing in education, training, acquiring relevant competences and skills, which will ensure long-term survival in the labour market and the preserving of high-quality jobs.

What role do you think worker representatives and corporate culture play in such decisions, and how do you play into these issues?

The conclusion of a new social agreement, which was signed last year by the government, the unions and employers, reflects the high level of social dialogue in Slovenia. Few countries in the EU can boast such a high level of consensus regarding key economic and social issues among the social partners.

Through the development of social dialogue in Slovenia, the social partners have also acquired the necessary knowledge and skills, for instance, to take up in the last two years their roles fully in the area of wage policy agreements. This remains and has recently become again one of the most salient topics between employers and unions in Slovenia.

In order to achieve their aims, the social partners use various tools and methods, which they have a legitimate right to use. It should be pointed out here that to date it has been seen in Slovenia, too, that the most effective path to resolution in dialogue and the most appropriate place for such resolution is the 'green table'.

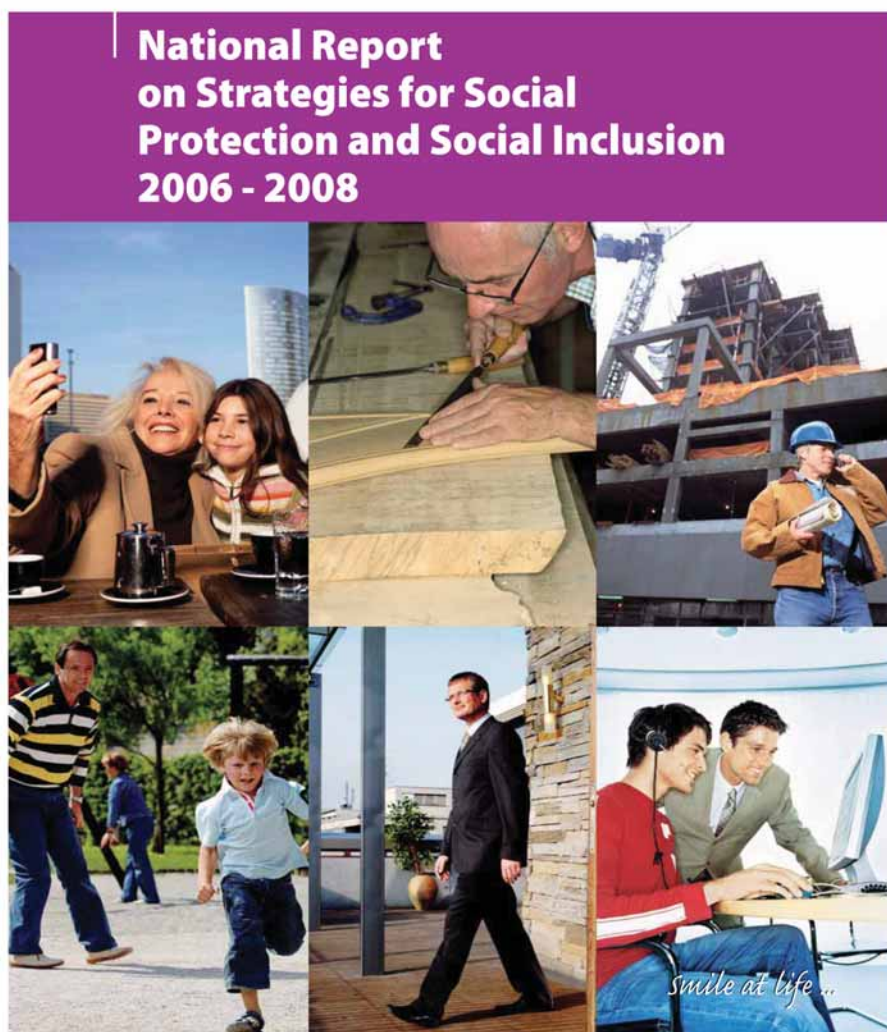
The European Commission argues that the EU will need to focus increasingly on three broad policy areas: education, skills and the modernisation of the labour market. How do you see that this focus works in relation to the situation in your country?

The main challenges in the area of employment and unemployment in Slovenia are the high proportion of long-term unemployed, structural unemployment that arises primarily owing to the poor educational structure of unemployed persons, the high rate of youth unemployment and the trend of increasing unemployment of women. We respond to these challenges through an active labour policy under which in the coming years we will devote special attention to training and education programmes.

We support all activities geared towards emphasising modernisation of the labour market, education, training and the necessary skills in the labour market. Surveys in Slovenia point to considerable structural imbalances in the labour market, which is a consequence of the divergence between supply and demand. All the measures that we plan in the area of employment and education are orientated towards this. We wish above all to strengthen the provision of information, advice, career planning and guidance, and also training and education for competitiveness and employability. I wish to highlight especially the great emphasis Slovenia places in the new financial perspective on informal forms of education and forms of their recognition and acceptance in the labour market. Such an emphasis makes sense if we realise how quickly needs change in the labour market and how quickly individual in-demand professions lose their importance.

What role do you see for social dialogue in managing the threat and opportunities posed by globalisation on the labour market, the companies and individual workers? What other 'tools' do you have in place to manage structural change to continue growth and improve welfare?

In Slovenia, the search for consensus among the social partners in the most difficult moments of transition produced good results, and we should be able to exploit this quality in such cases.



Decisions adopted by consensus among the social partners, taking into account different views, starting points and circumstances, are generally easier to fulfil and less painful, especially if reactions are timely. Employee representatives, therefore, need to be involved in the early stages of identifying problems and seeking solutions, from training employees for more demanding tasks and a greater contribution, to the restructuring of companies for technologically more demanding tasks that translate into higher added value and so on, so that resorting to markets with cheaper labour is not necessary.

The role of the state must lie in promoting social dialogue and debate on such issues, assessment and measurement of the consequences and familiarisation of the social partners with the findings, new knowledge and experiences from practice that help in taking decisions.

Globalisation goes hand in hand with migration of workers. How to tackle the challenges of brain drain of young and talented workers from Slovenia?

Brain drain is a term and a fact which in today's globalised markets is gaining a different connotation. This is of course a problem with which all EU Member States are confronted. Perhaps this problem is less pronounced in Slovenia, but in any event the young generations are increasingly 'globalising' their way of life, both in terms of learning and education, and thereafter in terms of seeking future employment. Just as our talents will seek more attractive conditions abroad, we can already identify today and anticipate new possibilities for work and life which we will be able to offer talents from other countries. The influence and effect therefore work both ways, and this is globalisation in the broader context.

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