

# Twelfth Lasaire Biennial Frankfurt Seminar

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# Anticipation and participatory change management in companies during a period of crisis and technological change

## Opening

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**Tanja Jacquemin**

*Deputy Head of Company Policy, IG Metall*

I work with the Committee of IG Metall as deputy head of company policy and codetermination in companies. In Germany, we manage and provide strategic guidance to employee representation with support services for workers and the supervisory staff.

### 1) Company policy

The social dialogue is established first at Company level, in the Works Councils. Elected in companies, these works councils are the primary interlocutors of workers on all work-related issues (protection of workers, hygiene, safety, working conditions, etc.). The members of the works council may not be elected officials of a trade union. Trade union activists represent the trade unions in the company. They discuss all trade union issues with us so that we can provide appropriate management.

When a company is composed of several entities, it comprises a Central Works Council (CWK) composed of representatives of all the Works Councils. Company agreements are often negotiated at this level.

The Group Works Council, the ultimate level of employee representation, is established when a group comprises several companies, and comprises representatives from the various works councils concerned.

On the transnational level, it is possible to create a European Works Council (EWC), for companies active in several European countries, but also a European Company Works Council (ECWC) which is tasked with negotiating co-determination.

All these bodies are supervised by the “company policy” section of IG Metall. We endeavour to support them and to identify important issues to broach therein. IG Metall has 140 branches in Germany to support members throughout the country. They usually comprise 5 to 10 employees per subsidiary, who are responsible for supervising entities at local level. The European company works councils, the group council and the European works council are governed by “company supervisors.” A full-time employee at IG Metall focuses fully on each of these bodies. They are all managed from the IG website, under “My section.”

## II) Co-determination in Germany

Co-determination is a very important subject for IG Metall. The Works Council Constitution Act creates opportunities on the matter. The works councils are actually entitled to be informed and consulted on issues relating to employment. In companies of more than 500 employees, staff representatives can sit on the Supervisory Board. They hold one third of the seats in companies with more than 2,000 employees and 50% beyond that figure (i.e. 6, 8, 10 or 12 seats, depending on the size of the company). They are elected directly by the workers. It is not necessary to be part of the works council or to belong to a trade union in order to be eligible. The workers organise the elections completely independently. They create an election committee themselves, without intervention from the company. Moreover, one third of the positions are reserved for members of trade unions represented in the company concerned (two seats beyond 2,000 employees, and three seats beyond that figure).

Staff representation and co-determination therefore function differently in France and in Germany. On the other side of the Rhine, the workers can contribute directly to decisions taken by the Supervisory Board. For they are the ones who are more aware of the realities in the field and the changes to be made to the strategy. In a crisis period, they can help find alternative solutions to redundancies. They do not, however, have decision-making powers, as the Supervisory Boards are generally chaired by the holders of the company's capital.

## III) Current challenges

The Company policy is faced with several transnational challenges, starting with technological changes, which are causing many job cuts. The qualifications sought and the production processes will change rapidly, for instance in the automobile industry, where automation and computerisation are in full bloom. Accordingly, robotization will have a strong impact on employment, as robots can now communicate with each other, take the lift and bring parts to the conveyor belt of the production line. The labour needs are consequently being reduced and different skills will be required when employees are recruited. This development represents a challenge for the trade union world.

The development of precarious employment is another challenge. In the past, people would get trained and then spend their entire career in the same company. Nowadays, permanent contracts are becoming increasingly rare: fixed-term contracts and the use of temporary employees or contracts for work (limited in time) are multiplying. This job insecurity makes it impossible to get a bank loan or build a family life. Workers are under the constant threat of being unemployed.

The acceleration of globalisation is another daunting challenge. All companies are now inter-dependent at the international level in terms of value creation. In Germany, the management of many Groups is located abroad, so that co-determination can no longer be carried out in the Supervisory Board, as German law requires. Many decisions are actually taken at international level, so co-determination can no longer be conducted on the national scale only. Faced with this change, the German trade unions must establish an increasingly denser international network modelled on already internationalised employers.

It is moreover increasingly more difficult to identify the various branches, because the same group holds several companies. This raises the issue of the trade union's competence to negotiate wages. Under the branch agreement, IG Metall has to negotiate for electronics and metallurgy. In Germany, there is normally a trade union per branch. Nevertheless as the boundaries between branches are becoming less and less clear, it is difficult to identify the authorised trade union. As a result, we no longer have an identified negotiating partner for wage bargaining when it comes to fixed term contracts or for the logistics branch.

## Presentation of the objectives of the 12<sup>th</sup> Lasaire Biennial

### Roger Briesch

#### *Chairman of the Steering Committee*

The Twelfth Lasaire Biennial will focus on anticipation and participatory change in management during a period of crisis and technological change. It is part of Lasaire's cycle "Europe, Work, Employment." The 9<sup>th</sup> Biennial in 2008 focused on re-launching Europe after the constitutional treaty. It shed light on the need for cooperation with the social actors and the development of joint policies at European level. The Biennials that followed broached the policies put in place in that framework. The Eleventh Biennial focused on ways to solve the crisis in Europe, which is fundamentally turning industrial relations upside down and is causing cracks in staff representations. The emphasis was placed on the need to maintain solidarity instruments and representation bodies for workers at all decision-making levels.

Today, we will hold the fifth and last seminar aimed at finalising the analysis of nine concrete cases of multinationals established in European countries. We plan to promote innovative actions that facilitate the involvement of workers in the face of the change at work in companies and to improve the social dialogue against a background of a steep rise in mergers and acquisitions at international level. According to *Les Echos*, 2015 was a record year in terms of global mergers and acquisitions. The Biennial is intended to shed light not only on the consequences of this trend, but also on social, economic and industrial repercussions. As the European Commission underscored in 2013, the 250 restructuring operations in the third quarter of 2013 generated 57,000 announced job cuts, compared with only 27,000 job created.

On the basis of the nine case studies, we plan to suggest new measures that are more efficient for workers and the companies. We shall address several issues such as the:

- Major agents of change in companies and groups for the past ten years;
- Intervention modes of staff representatives;
- Visibility of cooperation between the different levels of staff representation;
- Resources allocated to staff representatives to gain technical mastery of the issues;
- Re-composition of the consultative bodies;
- Improvement or deterioration of the capacity of staff representatives to intervene in the face of change in companies or groups.

The steering committee prepared the deliberations for today in a participatory, phased manner. Between September and January 2016, it conducted a qualitative analysis on a sample of companies present in several countries (Germany, Romania, Spain, Italy, Belgium and France). Four participatory seminars have already been held between October 2016 and June 2017 to analyse the situation of large groups that have proceeded to mergers and acquisitions, such as Iberia/British Airways or Lafarge/Holcim.

During the concluding conference of 10 October in Paris, we will present a report on the innovative conclusions drawn from the four seminars. We hope that they will be adopted by the trade unions and decision-makers and will help breathe new life in the European relaunch.

It is necessary to relaunch the European social dialogue against the background of a rise in racism, Brexit, and the aggressiveness of Donald Trump. The adoption of a common base of social rights, as envisaged by the European Commission, constitutes a good idea. The Commission published a reflection document on the social situation in the Union on 27 April. The laudable intentions it outlines therein can be attained only if the current architecture is adapted. However, it broaches the subject in a document of 31 May relating

to the future of the euro zone, in which it advocates a restructuring and a stronger Parliament. As the old saying goes, it is never too late to set things right.



# Panel on business restructuring in Germany and in Europe: Scope of action at the European and transnational level, and the role of co-determination

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*The following persons took part in the discussions:*

*Guy Juquel, Project Manager, Lasaire*

*Dr Wilfried Kurtzke, economist, IG Metall*

*Philippe Morvannou, Syndex*

*Jochen Schroth, Head of the work and innovation department, IG Metall*

*The discussions were moderated by Ralf Götz, coordinator of the Bosch EWC and EWC team leader, IG Metall*

## **Economic situation in Germany and Europe**

### **Dr Wilfried Kurtze**

*Economist, IG Metall*

#### **I) Growth in Europe**

The 2009 crisis had a disastrous effect on the German economy. Nevertheless, a rapid recovery occurred in 2014 which had not been foreseen by anyone. Growth is fluctuating between 1 and 2% and should be maintained in 2017 and 2018.

Europe has also returned to growth (1.8% on average in 2016) with the exception of Greece, which is still in recession. The situation is mixed, however, as since 2000, Poland and Eastern Europe have registered dynamic, continuous growth. Greece, Portugal and Spain are registering lower growth rates than the other European countries and their productivity levels have not improved.

#### **II) Employment market**

The employment market has developed well in Germany, with more than 40 million people in employment in 2016, and probably more than 44 million in 2017. Goethe's homeland keeps breaking new records every year on this front. Nevertheless, the Haartz reforms on the regulation of the labour market implemented in 2003 and 2005 have stabilised and even reduced the number of working hours. Precarious jobs entailing reduced working times have multiplied. This is the reason for the high number of people in employment in Germany. In addition, production relocations have gone up in Germany. It would therefore appear that the German reforms of the labour market have led to more job insecurity and a rise in the number of poor workers. The number of low-paying jobs has actually doubled. The situation is slightly better in other European countries, but the number of poor workers is on the rise throughout Europe, barring a few exceptions, namely the Netherlands, Poland, Slovakia and Ireland.

### III) Creation of industrial value

The creation of industrial value is losing ground in all European countries, except in Germany. The share of industry has in fact been substantially reduced in the United States, Japan and the European Union (Mainly in the United Kingdom, France, Spain and Italy). It declined more significantly between 1985 and 2010, with the situation tending to stabilise between 2010 and 2015. It has remained stable in Germany.

### IV) Trade balance

All European countries seem to have weathered the 2008 crisis with the exception of Greece. In terms of the trade balance, they have all registered deficits between -4% and +6%, as required by the European Commission. Only Germany has posted an 8% surplus, but this situation does not seem to have an impact on its economic situation. Exports, particularly to China, enabled the country to weather the 2009 crisis. Nevertheless, net exports risk to inhibit the economic growth of Germany. Investments in equipment are moreover low, whether they stem from the State or companies of the euro zone.

German exports flow mainly to European countries (37%). Germany's first trading partner is the United States, followed by France, China and the United Kingdom, as well as other European states. However, Brexit is a risk factor.

Most German imports on the other hand come from China. The second partner is France, because of Airbus, followed by the United States, the Czech Republic, Poland and Hungary.

German industry is therefore strongly linked to Eastern European countries.

### V) Unit wage costs

The unit wage costs dropped sharply between 2000 and 2007 in Germany, thanks to the reforms of the labour market. They did not constitute an advantage from the point of view of foreign trade. France has rather higher unit wage costs. Contrary to what might be expected, the automation of production has not led to an increase in productivity in Germany. It is difficult to predict what impact it will have. Jobs in R&D may well develop to the detriment of other positions, as has already happened in Germany.

#### **Ralf Götz**

R&D and indirect labour jobs are starting to be relocated. Nevertheless, the economic situation in Germany was quite stable in 2016, after the many restructuring operations that occurred in 2015. Could you present the developments that occurred and the measures to be adopted to slow down or even stop such restructuring operations?

### **How to react to changes in work**

#### **Jochen Schroth**

*Head of the work and innovation department, IG Metall*

The industrial landscape is undergoing profound changes that will impact employment, but also the content of work. Digitisation, industrialisation 4.0, demographic changes and new global value creation chains are bound to have a real impact on work and production. Many companies risk losing their capacity to innovate. Under the threat of job losses, a challenge of social attainments and collective agreements could ensue. The value of work is questioned de facto under the cover of globalisation. The demarcation line between production, administration and services is becoming more and more blurred. Nevertheless,



human beings always aspire to normal work, just and fair working conditions, a good job and quality social protection.

Leaving the task of determining these working conditions up to the management of groups only would be a mistake. It is important for activists, the members of works councils and the trade union secretaries to be involved, fully aware of the challenges to come. They must take an active part in the developments under way (greater autonomy in the work station, etc.).

What risks ensue from new technologies? How are employees to be helped to meet the requirements of companies, be trained in new technologies and drive the digital processes? We must answer these questions together within the framework of the pricing policy. Digital work must be organised so as to respect human dignity, which can be guaranteed only by collective bargaining agreements and co-determination. It is only at this level that we can take action, provided we are well organised. We should focus on innovation, quality, efficient processes and qualified employees and must moreover guarantee a fair distribution of labour for the sake of social sustainability.

We must show that we can contribute to this sustainable strategy with our 5,000 elected activists, our 75,000 volunteers in works councils and our representatives in the Supervisory Boards of large groups. We must take action to ensure that innovation is favourable to the employment market to anticipate crises before they break out.

Our employment and innovation project, which involves 150 pilot companies, falls within this context. We have put in place training schemes with these companies on industry 4.00, in five 3-day modules for our activists and for employees. We plan to contribute to securing the value creation chain in the long term and to introducing sustainable participation structures in companies. We plan to strengthen our premium strategy under the company policy.

## European integration and restructuring operations

### Philippe Morvannou

#### *Syndex*

Restructuring operations are part and parcel of our day-to-day economic experience nowadays because of competition, which is no longer a national prerogative in Europe. In creating a larger market, the European states thought they would be stronger in the face of the great powers -- the United States first and foremost. The idea of European integration in peace, social dialogue, collective and social protection, with a wage and social convergence, enjoyed consensus at the time. It is the base that guaranteed the social acceptance of the restructuring operations. European Works Councils were created at a time when it seemed necessary to bring employee representatives close to the transnational decision making centres of companies. Twenty-five years after they were created, they remain the only transnational social dialogue bodies.

A distinction has to be drawn between economic restructuring operations, and mergers/acquisitions. The former fall under creative destruction, while the latter result directly from the creation of the European market. National and European rules apply to these restructuring operations, whereas the regulation of competition is ensured solely by Europe. The EWCs are the trade union counterpart to the creation of the European market. Against the background of a globalised and financialised economy, the mergers / acquisitions constitute a way of adapting, restructuring and managing the business portfolio. According to the 1994 European directive, confirmed by the 2009 directive, the EWC had to ensure a form of transnational, legally constraining regulation. The objectives set are far from being attained. There is no information parity in fact between management and employee representatives. Moreover, consultation remains devoid of any practical

meaning and is ineffective in the event of merger/acquisition. It is actually impossible to reach the strategic level in the absence of co-determination. Moreover, the role of European trade union federations has been reduced significantly. Finally, social dumping is at work.

The situation has therefore been deadlocked since the 2007 crisis, and the 2009 directive has contributed to this deadlock. The European Trade Union Confederation underscored the failings thereof in 2017, and made several demands:

- penalties, with the suspension or cancellation of decisions, since companies do not play by the rules;
- the capacity of EWCs to engage in legal proceedings;
- the recognition of – particularly trade union – rights;
- freedom of information, as projects are presented to the employee representatives in a confidential manner;
- an improvement in trade union coordination;
- the end of provisions to circumvent the directive, such as Article 13 of the transnationality of decisions.

There is no effective social dialogue in most EWC at present.

The rules of competition which are intended to avoid abuses of a dominant position, contribute to this deadlock. The activities of companies are henceforth projected outside Europe, at world level. Competition issues are therefore no longer European from a strategic point of view.

Furthermore, the interpenetration of economies is in progress, since European companies are far smaller than they were 20 years ago. Wage deflation is used by some countries, such as Portugal, as a remedy to the crisis. Wage disparities have thus increased between the various Member States since 2008. Two directives under preparation provide for social regression, like the directive regarding lorry drivers which could introduce a calculation of working time by the month (and no longer by the week). Competition is increasing in Europe itself, subverting the rationale of wage convergence. If such convergence does occur, it risks being downwards.

A regulated competitive balance must be restored by remedying the overwhelming power of transnational companies. Thus, private arbitration tribunals introduced by commercial agreement de-legitimise public justice. A distinction must also be drawn between the capitalist private sector and the concentrated sector of SMEs. The European interest does not, in fact, correspond to the capitalist interests of the large transnational groups. SMEs have no chance of getting their voice heard at world level. Finally, trade union representation must contribute to the discussion on climate change.

If no dialogue is engaged at the branch and European levels, the problems will only get worse. The EWCs are having difficulties functioning, but they at least exist. Their prerogatives must be enhanced so that they can contribute to the transnational social dialogue. Unfortunately, there is no negotiating body for the dialogue at branch level, so trade unions are going to have difficulties asserting their positions.

## **Role of EWCs in case of restructuring**

### **Guy Juquel**

*Project manager, Lasaire*

The four seminars that have already been held have afforded us an opportunity to study seven cases of mergers/acquisitions (Lafarge/Holcim, Iberia/British Airways...). We have noted that the European employee representatives are consulted once the strategic

decision is taken to proceed to a restructuring, in order to manage the social consequences (voluntary departures, compensation, etc.). They have only a very slight impact on the restructuring decisions, but manage to limit the severity of the social consequences in certain cases. They do not have the means to anticipate technological changes and to intervene in order to alter the strategic approaches of companies.

Bearing in mind that restructuring operations impact all sectors (industry, services, etc.), a more restrictive European framework should be introduced. The directives on the information/consultation of employees and on the EWCs should be revised to introduce a right to alarm and the possibility of launching an independent expertise in all European countries. Moreover, the obligation to inform EWCs should apply before any decision to restructure is taken. The representation of the various countries should be fairer. The Commission should encourage all companies to establish an EWC because only 50% of them have done so. If a company is to close, it should be required to seek a buyer that would keep the site and the workforce. A revision of the report on "Europe and other Continents" would be called for here. Action must be taken to develop the quantity of international agreements where the content should not be reduced to the social rights of the ILO.

It is also necessary to bolster the representation of employees in boards of directors and supervisory boards in all companies, and not only in European companies, to restore balance in the information provided to workers and executives. The European Commission must play its role by requiring the introduction of information/consultation in companies that refuse to do so. As this obligation is not observed, it could propose a new directive to the European Parliament, but unfortunately it refrains from doing so.

New trade union and managerial practices have to be deployed, and get the interests of the two sides to converge: management must accept that the social partners have a right to examine their strategy, with enhanced competitiveness of companies at the European and world scale in return. It is important to be aware of the environmental consequences of the decisions taken, and finally to determine the most effective negotiating level.

## Discussion with the audience

### **Ralf Götz**

The introductory presentations showed that it was possible to adopt several approaches to manage restructuring operations.

### **Joël Decaillon**

Do environmental problems and the Company's production conformity with regard to the Reach directive fall under the responsibility of the social partners and management in the event of co-management?

### **Wolfgang Greif**

In my view, we do not use all the tools at our disposal to guide and support the digital transformation which is changing the company's business model internally too. The employee representatives must take part in this development. The management of companies must accept to discuss their provisional strategy for the 15 years to come with members of the works councils or the Central European Council. It would be possible to establish digitisation committees in order to discuss the matter.

### **Ralf Götz Autrich**

Staff representatives must demand to be a fully-fledged stakeholder in the face of internal changes.

**Jochen Schroth**

The restructuring of companies or the digitisation of the world of work will take place, whether the trade unions take part or not. There is no question of this trend coming to a halt. The thing to do is figure out how to get involved in optimal fashion in order to provide the best advice and support for workers who are affected by such restructuring operations. The EWC has very little room for manoeuvre. Staff representatives must therefore become stakeholders in the process, so as to defend actively the interests of their colleagues. If we manage to act at this level, we will be able to exert influence also on all the other levels (company, wage policy, etc.).

We must therefore develop our action in the entities by making concrete demands. We could in particular call for the EWC Directive to be amended so as to introduce real co-management. We have to bolster the tools at our disposal.

**Philippe Morvannou**

The staff representatives have serious difficulties to appropriate the Reach legislation, whether at the national level (in France but also in other countries) or at the European level. There is no structured social dialogue on the matter in fact. Management broaches the Reach law at times, but only to raise the issue of the cost.

As to digitisation, the trade unions appropriate the subject at times in order to negotiate agreements with the companies. The management of companies is not always willing to present projects so as to make it easier for workers to adapt to the new digital tools.

**Guy Juquel**

The social partners wish to open the discussions on digitisation and its consequences, but management systematically refuses. They consider that defining strategy is their exclusive prerogative. Europe should give more power to the social partners by publishing new directives, but does not seem to be inclined to do so.

The social partners should also meet at European level to present a united front against the employers.

## First roundtable on the Alstom-General Electric restructuring case study

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**Jean-Cyril Spinetta**

*President, Lasaire.*

**Presentation of the Lasaire study****Hugues Bertrand**

*Economist, Lasaire*

Alstom is a very old French company, founded in the first half of the 19<sup>th</sup> century. This heavy duty mechanical equipment maker was active in the fields of energy, electricity and the rail network. In France, many trains and metros bear the “Alstom” mark. Two years

ago, two thirds of Alstom's activities were sold to General Electric for some ten million euros.

## I) Situation of Alstom in 2013

In 2013, Alstom employed 92,000 people throughout the world, including 18,000 in France, and generated a turnover of €20 billion. The most important line of business was the production of turbines for electric power dams and stations. The Group's financial situation was not unfavourable at the time, but it did not enable it to invest sufficiently so as to support the development of its activity in the face of the competition. As no recapitalisation was possible, it had to dispose of part of its business.

## II) A glance at the history of Alstom

Alstom has experienced many shareholding problems. Alcatel and Marconi, the majority shareholders in 1998, sold the majority of the capital on the Stock exchange, after they had drained the cash flow. In 1999, the acquisition of ABB at a very high price was a mistake, as 93 gas turbines installed by this company proved defective. Sizeable investments were required to remedy these technical shortcomings, and Alstom had to recruit many engineers. A substantial restructuring programme ensued and the electricity transmission and distribution business had to be sold to AREVA in 2014. The Group nonetheless found itself on the brink of suspension of payments. The State proceeded to recapitalise it to save it from going bankrupt. The European Commission was against the intervention of the public authorities, and the French State recapitalised Alstom then sold its shares to Bouygues.

The 2008 crisis was fatal for Alstom, as its order book was divided in two. Patrick Korn then decided to acquire the electricity transmission and distribution business from AREVA, at a purchasing price twice as high as the selling price to AREVA. Alstom once again came close to suspension of payments. It survived, but without resources to finance the development of its business and without bank guarantee.

In 2013, the American courts delivered the final blow to Alstom, by slamming it with a fine of \$1.5 billion for corruption and by bringing criminal charges against several managers.

In 2014, General Electric offered to buy the energy and electric branch for €12 billion. The Siemens/Mitsubishi consortium put in a competing bid. General Electric won out because the American fine was reduced from \$1.4 billion to \$772 million, which is more than surprising. The sale gave rise to three joint ventures: energy (Alstom Power), electricity grid (Alstom Grid) and renewable energies (Alstom Renewable), managed by General Electric but owned almost equally by GE and Alstom.

There remained Alstom Ferroviaire, which had no possibility to act on the three joint ventures, and whose principal shareholder was the French State. Bouygues had remitted the financial advance for the acquisition of 20% of the shares, and the State had to buy them back, but the buy-back price led to a dispute. The reimbursement, which has to take place this year, risks being problematic.

The situation of Alstom Ferroviaire is rather favourable. With a workforce of 31,000 strong, including 21,000 in Europe, 9,000 in France and 3,000 in Germany, this company generated a turnover of €7.3 billion in 2016/2017 (50% from materials and 50% from solutions). The order book reached €35 billion. Nevertheless, the establishments of Alstom Ferroviaire are highly specialised in France, to the extent that some are overloaded with work while others are underloaded. It should reorganise its production system and increase versatility in its establishments to be more flexible from the point of view of order intake.

### III) Role of institutional and social stakeholders

The absence of a solid reference shareholder explains Alstom's difficulties in large measure. The State played this role without really assuming it. It limited the damages by creating three joint ventures, but without really getting to the root of the problems.

For its part, Europe forced Alstom to sell its turbines to Ansaldo in order to avoid a dominant position of Areva on this market segment.

As regards the social partners, Alstom had a real social dialogue culture. The EWC had been created in 1996 at the request of the former European Metal Workers Federation (now, Industrial). It had also managed to become a partner of consequence. It had thus negotiated framework agreements of anticipation and change, in particular for skill management and maintenance. It also managed to get General Electric to sign a framework agreement on maintaining employment in France and in Europe. It gave a favourable opinion on the acquisition of Alstom by GE. It obtained a common European representation for the three joint ventures in the new General Electric group known as "Interim Staff Representation" (ISR). The ISR is currently busy with the presentation of a restructuring plan of General Electric Hydraulique. It is effectively intended to discuss strategic decisions.

## Remarks of Sylvain Zuber

*Secafi Alfa*

### I) Reasons for disarray of Alstom

Alstom suffered greatly from the rise of Chinese players in the field of electricity generation in the last 15 years – a policy that was pursued by China. The Chinese sector, which controls very complex technological and industrial processes, has developed concurrently on the Chinese market, which is protected, but also internationally, particularly in Europe.

Moreover, technological innovation is essential on the electricity segment, and therefore the investment needs are substantial. Yet Alstom did not have the necessary means and resources.

### II) Offer of General Electric

The offer of General Electric was the least risky from the point of view of employment and on the social front. An acquisition by Siemens/Mitsubishi would have entailed head on competition between the capacities of Mitsubishi and Alstom. The social risk was lower with General Electric, the facilities of which were complementary.

### III) Conduct of the social dialogue

I took part in the social dialogue through the assistance provided by Secafi Alpha to the EWC. The European scale was the right level to discuss the disposal in the absence of staff representation at world level. It is actually only at the European level that the staff representatives can hope to have relevant interlocutors at management level. It is very difficult to engage in a direct dialogue with decision makers at the national level.

The capacity of the staff representatives to manage the complexity was essential for the social dialogue, owing to the complex nature of the stakes and the range of information (dozens of technologies, wide variety of markets and destinations, widely dispersed value chains, etc.). Very few managers had an overall understanding at the company management level. They generally understood only their sector. Only the managers at the



highest level of the Group had a holistic vision, but they rarely took part in the EWC. Staff representatives were required to show understanding that was shared by few.

Moreover, there was no willingness on the part of General Electric to engage in dialogue with staff representatives. The group's sole intention was to comply with the legislative framework and the agreement on methods signed. It wanted to focus on an information and pseudo-consultation process. Consequently, the exchanges with the staff representatives on substance and on alternatives were limited.

Moreover, the employees in charge of managing the social dialogue were not yet operational. Their assignment was to see the information/consultation process through, but they had no responsibility on the operational front concerning the industrial survival of business activities. For their part, the operational interlocutors had no responsibility in the restructuring process as such. It was therefore very difficult to shift the lines, and get solutions other than the proposed plan accepted.

Alternatives were possible nonetheless, on condition of taking into account the cost of job cuts. However, the operational employees objected that they were not responsible for the budget of the plan, but only for the profitability of their line of business, exclusive of the restructuring costs. For their part, the HR managers of the restructuring did not take the operational stakes at all into account. The group's organisational chart stood in the way of engaging in a healthy and effective social dialogue. The staff representatives had an excellent grasp of the situation and of the stakes. They proposed quality alternatives, but had difficulties getting heard.

### **Jean-Cyril Spinetta**

Alstom had invested in R&D in the past. With Siemens, it was the only company to have the technology for very powerful turbines, compatible with the EPR (100 MW). Its acquisition enabled General Electric to acquire this technology which it lacked.

## **Remarks of Arnaud Sejourne**

*Trade union representative, General Electric*

I am speaking as the former deputy secretary of the ISR. Alstom always financed its development through customer down payments paid at the time orders were placed. This system worked as long as orders were booked. When the crisis erupted, the banks refused to follow, and did not grant any bank guarantees.

Turbines are the most lucrative line of business, due to the related services. The business as a whole is therefore concentrated on this activity. I work for the electricity transmission and distribution division. Some investment decisions were taken at the last minute, and undoubtedly more in order to flatter the President's ego than owing to strategic necessity.

It is important to structure the negotiating process. We concluded an agreement on method that enabled us to set up workgroups and identify clearly the different issues broached during the discussions. Alstom had concluded a triennial anticipation agreement in 2010, but Management refused to renew it in 2013. The agreement on method distinguished the different activities and cross-sectional positions, which often suffered greatly from acquisitions.

The ISR held 140 meetings. During the information/consultation process, it was necessary to review the agreement on method on two occasions. The dialogue with management was consequently constant.

Parallel negotiations were held at the European and transnational levels. The competition authorities actually called for the turbines to be sold to Ansaldo. From an

industrial perspective, the European Commission gave the Chinese a gift, who acquired the fruit of 5 years of R&D at a low price.

Four joint ventures were created, the three industrial joint ventures already mentioned and a fourth for the industrial property of turbines. Alstom could sell back to General Electric the shares that it holds in the joint ventures. In the particular case of Alstom Renewable, Alstom can also buy back its shares from General Electric.

During the two years of the information/consultation process, the dialogue with Alstom's management was positive on the whole. Since then, all the interlocutors from that time have left.

## Discussion with the participants

### Jean-Cyril Spinetta

The lack of a reference shareholder undoubtedly explains Alstom's difficulties. The intervention of the State in 2004 was a form of renationalisation of Alstom. In 2014, the public authorities took a very different, far less interventionist position.

It was effectively important for the social partners to be able to manage the complexity.

### Daniel Dreger

The vote of the EWC was consultative, but if it had been negative, it would have compromised the disposal. As to the 20% held by Bouygues, rumour has it that Bombardier might acquire them. It would then become the largest shareholder of Alstom.

It is regrettable that General Electric and Alstom refused to engage in real dialogue with staff representatives, concealing information that was leaked to the press.

### Jean-Cyril Spinetta

Why do you say that a vote against by the EWC would have compromised the sale? The EWC's opinions are normally purely consultative, in fact.

### Arnaud Senourne

Patrick Kron had made obtaining the agreement of the trade unions one of the conditions precedent for the sale to General Electric.

### Wolfgang Greif

The EWC could have vetoed the sale: it bore a heavy responsibility in the operation.

The implementation of an EWC in General Electric was very complex. Do you think that the quality social dialogue that existed at Alstom could continue in the American world of General Electric? Would you prefer to maintain a fully-fledged Alstom EWC? Or have it merge with the General Electric IRP, even if the quality of the social dialogue would suffer as a result?

### Udo Versagt

The Alstom EWC was very authoritative and inclusive. A Group Committee was set up at General Electric, but for three years only, and it did not comprise all the components of the company. Furthermore, decisions are taken at Group management level, whereas the staff representatives most of the time defend the interests of their establishments, and not those of the Group as a whole. We hope that the Alstom staff representatives will enrich the social dialogue. How can we strengthen the networking of staff representatives? The General Electric EWC is currently structured according to the different divisions of the Group and fears that it will lose information when a new EWC is established.



**Holger Rossel**

What alternatives did you propose in the case of Alstom?

The European directive stipulates that management must convene authorised players vested with decision-making powers. Did you require that the representatives of Management were really authorised? What difficulties did you encounter?

**François Bionaz**

Today, it is economics, and no longer politics, that governs the world. To survive, it is necessary to make profits, whether at the family or the company level. Profits are no longer fairly distributed because the legislators have allowed dividends to flow back to parent companies located abroad. The profits no longer benefit the local economy.

Employees seem to be the slaves of the modern world. Against the background of proliferating LBOs, they contribute to the value of the Company, but draw no benefit, while the shareholders reap considerable profits, as shown in the case of Alstom Power Conversion. At present, the merger of General Electric Power and General Electric Energy Conversion risks causing job cuts.

**Undine Memmler**

The future of Alstom Ferroviaire is still uncertain. Negotiations will undoubtedly take place with various shareholders: care must be taken when choosing the principal shareholder.

Furthermore, it is essential for Management representatives to be really authorised when they take part in the EWC. If the staff representatives are more authorised, the situation is really problematic.

**Sylvain Zuber**

The alternatives we proposed were not taken into account because the sole authorised interlocutor would have been the CEO, owing to the matrix-type organisation of the Group. The Management representative interested in continuing the activity did not have decision-making powers.

Each time we made progress, to save jobs, the process was very arduous, because we had to convince several levels.

**Arnaud Sejourne**

The operational management helped the trade union organisations to show that certain organisational projects do not function, by reporting it to the higher ups.

As regards the ISR, I am part of the special negotiating group. We do not want to see the Alstom IRPs diluted in the General Electric structure. Nevertheless, this dilution risks being inevitable, given the daily organisation considered, with a central committee and subcommittees per division. The main difficulty that the special negotiating group encountered came from the English. The British managers actually want British law to apply to the new IPRs, in spite of Brexit. For their part, the English trade unions have a particular culture, and would seem to want to defend their national representativeness above all. It is not certain that the special negotiating group will reach an agreement in March 2018. The subsidiary provisions will then apply.

# Second roundtable on the Bosch restructuring case study

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## Undine Memmer

*Company policy department, IG Metall*

## Presentation of the Lasaire study

### Jacques Freyssinet

*Economist, Lasaire*

The Bosch group generated a turnover of €73 billion, with 390,000 employees throughout the world and 120 production sites. It covers a vast range of activities in the mechanical, electrical and electromechanical industries.

## 1) Continuous restructuring factors in the Bosch group

Unlike many groups already studied, like Alstom and General Electric, the Bosch group did not carry out major capital modification operations. Nevertheless, a continuous production reorganisation movement is at work, owing to four interdependent factors:

- **Development of new technologies due to a constant innovation effort**

The production lines are established in different locations. Consequently, when a change occurs, the question of production location arises. Furthermore, when the launch of new offers fails, as in the case of solar energy, restructuring ensues, accompanied by redundancies.

- **Constant sectoral repositioning**

The Group invests in sectors that it considers profitable without hesitating to abandon those which no longer seem viable. Restructuring ensues.

- **Sensitivity to macroeconomic fluctuations**

60 % of the Group's turnover depends on the automobile sector, which is very sensitive to economic cycles. Bosch must therefore manage the wide variations in activity that follow. Flexible working time is a solution, but is not enough in itself.

- **Geographic redeployment**

The Group is relocating from Western Europe to Eastern Europe, and at international level to Asia (China and India).

Consequently, Bosch is constantly restructuring, at the central level, the divisions and establishments.

## II) Management methods for these restructuring operations

The Bosch management methods seem less abrupt than those of other groups, from the point of view of social consequences. Nevertheless, there is no early discussion on the strategy with the staff representatives.

The group's founder was attached to corporate social responsibility. This SCR can still be exercised because Bosch is still held by the Bosch family and is not listed on the stock exchange. It can thus deploy a long-term strategy, without fearing being penalised by shareholders who want to maximise their investment as promptly as possible.

The CSR agreement negotiated in 2004 with the EWC and signed with the European Metal Workers Federation introduced alert mechanisms if suppliers violate CSR principles.

An EWC was set up in 1998 at the request of the trade unions. It makes it possible to engage in a social dialogue of relative quality, even if the staff representatives complain of a lack of information at times.

## III) Some approaches

The very tight vertical structuring of the group makes it very difficult to attain the vertical solidarity that could facilitate the management of restructuring operations and overstaffing. Owing to their diversity, not all the group's lines of business are confronted with difficulties at the same time. Nevertheless, when one division is in a difficult situation, the others do not show solidarity, because they are all autonomous at global level. The same problem arises at the level of the IRPs. It is impossible to have national IRPs cover the entire group, as Italy has found out.

The restructuring processes are moreover managed differently, depending on the country. In Germany, the CSR principle ardently espoused by Bosch is well respected, as shown the agreements concluded with the social partners. But it is not applied in all countries, such as the US and India.

Finally, the strategy of pitting the group's sites in competition, as Bosch does, is not very conducive to solidarity within the group and the EWC.

## Remarks of Mark Soubitez

### *CFDT Bosch*

I took part in the first discussions 25 years ago, presiding over the establishment of the first EWC at Bosch. With nearly 40 years of seniority soon, I have witnessed many, at times difficult restructuring operations.

I would add only very little to Jacques Freyssinet's report, which is very complete. The Bosch group actually does behave rather better than the others on the social front. Thus, when it pulled out of the photovoltaic business, 3,000 jobs were cut. At Vénissieux, the photovoltaic business and some of the employees were taken over by an entrepreneur, who was wound up by decision of the court three years later. As it had undertaken, Bosch sees to the social management of the plan, by paying suprallegal benefits for seniority (under negotiations) and reclassification measures. Very few groups go that far with their social responsibility.

Bosch has gone through other setbacks, particularly in telecommunications.

Bosch is very active in the automobile industry. Yet one third of factories will have to be converted in a decade or so. It is therefore necessary to anticipate this industrial conversion. For instance, the Rodez site, which employs 1,600 people, is worried about its

future because it specialises in diesel. It must think about turning to other activities as of now.

### **Undine Memmler**

Restructuring operations in the automobile sector risk proliferating in the automobile industry. I turn the floor over to Ralf Götz, who is heavily involved in this field.

### **Remarks of Ralf Götz**

*Bosch EWC coordinator and head of the IG Metall EWC team*

Although 60% of its business is linked to the automobile industry, the Bosch Group is highly diversified, with household equipment, household appliances, heat technologies and industrial production goods. The links between activities and division should make it easier to redeploy employees in the event of cyclical difficulties. Unfortunately, that is not the case. The EWC's challenge will be to make such links possible so as to save jobs in all the sites.

### **Discussion with the participants**

#### **Yannick Anglarez**

The 4 representative trade unions work hand in hand to promote the sustainability of the Rodez site, which employs 7,585 people under open-ended contracts and accounts for nearly 10,000 indirect jobs. Bosch is the number one employer in Aveyron. The Group's workforce in France has been reduced by 40% in 10 years, and several sites have closed. A real social tragedy is in the making.

A turnover of €3.7 billion euros makes France the group's second market after Germany. And yet, it has benefited from only 1% of Bosch's investments in the world these past three years.

The world's leading equipment manufacturer, Bosch has established its sites near automakers and outlets. The location of the Rodez site is in line with this rationale. The high quality work and commitment of the employees have enabled the company to stave off heightened competition. Nevertheless, it is now faced with a drop in the internal market for diesel vehicles. Whereas reviewing the energy policy is laudable, the consequences must also be analysed. Initiatives must be taken to save qualified jobs.

The inter-union association has endeavoured to warn the regional local officials of the consequences Bosch's industrial withdrawal. We must join forces with IG Metall to act in France and in Germany.

#### **Philippe Tassie**

The energy revolution is progressing far more rapidly than foreseen with brutal consequences that could not have been anticipated. The Rodez site has no contact with Germany where meetings are held on the future of the branch. We are unfortunately excluded from the strategic discussions.

We have established many political contacts to get a clearer view of the energy revolution. We are acting at national level, but it is more difficult to do so on the European level.

The reassuring talk from our HR department is all very fine, but Bosch has never managed a technological switchover successfully. The photovoltaic effort ended in failure.

**Undine Memmler**

Thank you for these remarks.

How can the EWCs work in a productive and effective manner? We have to be proactive and anticipate technological changes. What role can Europe and the EWC play in the case of multinational groups?

**Ralf Götz**

Bosch depends very highly on the automobile sector, which accounts for 60% of its turnover and employs 80,000 people. This high dependence is all the more problematic, as the group specialises in diesel, injection pumps and related technologies. Moreover, the change is advancing more rapidly than anticipated. It has nonetheless been discussed with the social partners. For IG Metall, for instance, the development of industry 4.0, the electric motor and automatic driving constitute a matter of survival.

Some 860,000 people work in the automobile sector in Germany, in the production of combustion and injection engines. IG Metall is very well organised, and the employees are well protected and well paid. In spite of the increasing job insecurity, outsourcing is less prevalent in the automobile industry than in other branches. IG Metall considers it necessary to invest in new technologies, like electric motors or self-driving cars. Bosch is going to build a chip and semi-conductor plant in Dresden. It represents an investment of 51.5 billion and 700 jobs. It is necessary to multiply solutions of this type.

The process that will make it possible to anticipate technological changes and to redeploy employees is difficult to define all the same. Nevertheless, the EWC has discussed the digital change. We actually broached the issue in March. We then noted that the discussion was not as comprehensive in all the countries. The group presented a project for industry 4.0 production lines. Company agreements were moreover concluded in Germany. Bosch is therefore starting to use the new technologies, but it is difficult to assess the number of jobs that will ensue.

The rapid pace of the energy revolution is problematic. The emissions scandal involving Volkswagen and other automakers has accelerated the process. Some manufacturers have announced that they will no longer make combustion engines but only hybrid and electric engines. No one would have imagined that two years ago.

In spite of his foundation Robert Bosch is a capitalist like the others. The automobile is the group's cash cow, but the attempt to develop renewable energies, such as photovoltaic energy, was a fine project. The relocation of the Group from Western Europe to Eastern Europe is a reality. Nevertheless, production is down in Hungary and Poland. Qualified staff are lacking and wage differences pose a problem.

The EWC is a research laboratory. The group engages in the European social dialogue only because it is required to do so by law. It considers it as a formality. The EWC must be more proactive if it is to have more weight.

Bosch's workforce in Western Europe now has more managers than workers. Production has become an ancillary activity. It is necessary to develop networks at the national and international level, beyond the borders of divisions. The matrix-type organisation is an obstacle, however. Some Group structures, such as Bosch Siemens Electroménager, are actually independent. It is difficult to reach a global agreement, because some countries, such as the US, are very opposed to trade unionism.

**Arnaud Sejourne**

Why create a plant that employs 700 in Dresden and cut jobs elsewhere. Wouldn't it have been possible to capitalise on the complementarity between divisions at Group level?

Is there a real difference between an EWC and an ECWC on the legal front?

**Maryse Huet**

To what degree are the accompanying social measures for Bosch restructuring operations exemplary? Do they extend to temporary workers and subcontractors, who are usually excluded? Does the group carry out revitalisation operations elsewhere than in France, or is it a legal obligation in the case of a redundancy plan?

Does Bosch call on European funds for its restructuring operations, such as the ESF or the Globalisation Fund?

**Marc Soubitez**

When it deploys a redundancy plan, Bosch generally puts an end to interim contracts to try to avoid job cuts. The issue of redeploying temporary workers unfortunately does not surface. Employees generally receive substantial compensation, which gives them time to find another job. These benefits are increased in accordance with age, family situation, etc. In Vénissieux, employees who undertook a commitment not to take Bosch to court also received a €45,000 bonus.

The revitalisation budget represents 1.6 the amount of the guaranteed minimum industrial wage (known by the French acronym SMIG), i.e. €4 million per year. In Vénissieux, it was used to launch a highly innovative start-up in heat technologies. This structure has made it possible to redeploy 20 employees and is expected to take on another 80 by the end of 2018. If the start-up is a success after three years, Bosch will undoubtedly acquire all or part of its capital because it does not want to see a competitor grow.

As regards the choice of Dresden, the EWC is making sure that new activities are established in countries that need them. It did not succeed in that specific case. It did however manage to do so in Vénissieux, which benefited from an investment initially earmarked to create a plant in Romania.

**Anne-Marie Grozelier**

At Bosch, IG Metall concluded an agreement to extend the collective bargaining agreement to subcontracting companies. Is the fate of subcontracting companies that contribute to production taken into account in the event of a restructuring?

**Undine Memmler**

Ralf, could you answer this question and the ones asked previously, as not all of them have been dealt with?

**Ralf Götz**

Yes. The ECWCs and the EWCs are governed by two different European directives, but their missions are nearly identical. The ECWC can negotiate the co-determination level at company level, which is not the case with the EWC.

As to Dresden, Bosch undoubtedly chose the site because the region is home to a large number of chip and semi-conductor plants as well as many qualified workers. The discussion on the establishment of activities can be engaged in the EWC. In parallel to the information and consultation processes, this body can propose studies on buyers being considered if a site is put up for sale, alternatives to a redundancy plan, etc.

**Jacques Freyssinet**

Bosch is a capitalist group whose object is to make profits. It nonetheless has the opportunity to deploy a medium-term strategy. The power of IG Metall also keeps it in check and makes it responsible.

On the CSR front, the group undertakes to comply with a set of fundamental ILO conventions, in particular to exclude suppliers who do not abide by ILO standards. Does it comply with this commitment in all the countries? The staff representatives can keep watch through EWC and, in Germany, the Supervisory Board. I do not know however whether they can always verify that the necessary steps have been taken to remedy reported shortcomings. Two violations were detected recently, in India and in the United States. The group intervenes only if the local level did not manage to solve problem.

**Marc Soubitez**

At Bosch, employees are responsible for conducting audits at suppliers and subcontractors. In case of a shortcoming, an initial reminder is issued, then penalties are imposed, which can go as far as expulsion. If the problems persist, they are reported to the EWC office and are then generally solved. This CSR principle is therefore well respected at Bosch.

**Undine Memmler**

I suggest that we continue the discussion at the concluding conference that will be held in Paris.



# Conclusions of the seminar

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## Results of the seminar – discussions with the participants

### **Holger Rösser**

The floor is turned over to the rapporteurs of the different groups. Share your conclusions with us.

### **Daniel Dreger**

To defend the interests of employees properly in the event of restructuring, it is necessary to understand the reasons for that action, to communicate them to and discuss them with the workforce, mobilise the latter where necessary and train them so as to help them adapt to the change. We all need security in a crisis situation. When humans feel threatened they try to regain a feeling of security. Like chameleons, they have a vested interest in the technologies of the future so as to adapt optimally to change.

The French trade unionists must unite. Inter-union associations are starting to emerge. This union movement must pick up speed: France must follow Germany's example.

### **Udo Versagt**

Staff representatives must start by analysing the political processes to get trained and be able to apply them. They must ask their trade unions, management and employees for information. Networking based on dialogue is needed, with the EWC at the centre.

For their part, unionists must lobby to ensure that their alternatives are well received. They have to think global whilst acting local. Finally, it is essential for them to mobilise.

### **Sylvain Zuber**

Trade unionists must be capable of anticipating and using all possible levers (mobilisation of workers, politicians, etc.). They have to understand the stakes of the other stakeholders, particularly management, so that the activities they propose are well received.

For their part, staff representatives must understand the activities, markets and economic stakes upstream from the restructuring operations, so they can react promptly in case of a redundancy plan.

Solidarity is essential at all levels (local, European, etc.).

Finally, the social dialogue must be engaged with all pertinent interlocutors without personalising the discussions.

### **Marc Soubitez**

It is vital to anticipate difficulties, and to be pragmatic. Unionists must be capable of negotiating, making proposals and be credible in the eyes of the workers so that they can mobilise them. The best compromise must be found in the interest of the workforce and of the company.

### **Hugues Bertrand**

The staff representatives must endeavour to gain a holistic view of the company and its future. It is important to identify the pertinent interlocutor level.



Trade unionists must create a global, European or international – and not only national – rapport.

### **Ciprion Seuta**

It is essential for the EWC to have all the necessary information and support.

### **Nadia Salhi**

Staff representatives must be in continuous contact with the employees whom they represent and must keep the latter informed. In the works council, they must analyse the company's management and medium-long term strategy. It is important to prepare for change by making alternative proposals for the redeployment of the employees in case of restructuring or to retain skills in case of technological change.

Trade unionists have to create a sustainable trade union network, and not only for restructuring operations. They will thus be able to anticipate the decisions of management and establish solidarity between branches, sites and countries.

### **Joël Maurice**

Staff representatives have to have access to information in order to understand the context. It is important for them to be consulted, to give an explicit opinion on restructuring, as French law requires. It is essential and urgent to deploy coordinated and mutually supportive negotiations, irrespective of nationalities.

### **Jean-Cyril Spinetta**

Staff representatives and trade unionists must demand that procedures to anticipate restructuring operations be applied, as in the case of GPEC in France.

The presence of staff representatives in boards of directors must be systematic so that they can exert influence on strategic decisions. As directors, they will certainly be bound by confidentiality, but the important thing is that they can exert influence.

Finally, the role of the justice system must be bolstered so that management fulfils its obligations, i.e. full information provided by competent officers.

### **Holger Rösser**

Thank you all for your conclusions. They highlight the importance of information, cooperation and networking for acting together. It is essential to go beyond certain political limits in the interest of the workers, as well as to be proactive and to study trends on the market or the branch so as not to remain passive in the face of restructuring but to be able to propose alternatives.

This summary will fuel the discussions at the concluding conference on 11 and 12 October in Paris.

## **Remarks of Joël Decaillon**

*Vice-President, Lasaire*

We must thank IG Metall for having hosted us for this seminar. The Biennial which will come to a close on 11 and 12 October is bound to have repercussions, in my view. The high quality contributions to the discussion have yielded many elements for reflection and questioning. Restructuring operations are becoming permanent. They will henceforth be a recurrent part of social, economic and human organisation. Yet stability is a key factor of civilisations. We have to build our lives in highly mobile systems, which is not self-evident.

Change in the business world entails a simultaneous and rapid transformation of work and products. Social cohesion systems are structured in branches, the development of which complicates the organisation of negotiations. France, which still has 700 branches, is not geared to branch negotiations.

Permanent changes in the value chain are a source of complexity for trade unionists. Thus, when several sites are concerned by a restructuring operation, it is difficult to engage in cross-sectional dialogue. New technologies should nonetheless make it possible to improve discussions between trade unions, in spite of the language barriers. Trade union networking is really needed nowadays. Restructuring operations call for a new impetus and for more solidarity.

Like my Lasaire colleagues, I am delighted by the wide-ranging nature of the discussions which were held today and will be continued in Paris on 11 and 12 October.

I hope you will all enjoy your holidays.

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