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The Role of Cohesion Policy in the Restructuring Process

Restructuring is a continuous part of the process of economic development. While it cannot be resisted, we need to put in place policies to ensure that it is managed appropriately, and that it creates opportunities which outweigh the problems. This is one of the key aims of European Cohesion Policy, which in terms of both priorities and instruments, has undergone a thorough reform so that in the period 2007-2013 it is a key pillar of the Union's strategy to promote competitiveness, growth and the creation of jobs. It is at the level of the regions that the impact of restructuring – both positive and negative – is felt most acutely, and it is at this level, with the involvement of all relevant expertise, that challenges are best identified and solutions found. Europe's regions also have a wealth of experience in how to deal with restructuring – there is a need to share this more widely and this will be a central aim of the recently launched initiative on Regions for Economic Change.

Ladies and Gentlemen,

It is a pleasure for me to be here today, and I would like to start by thanking Michel Delebarre for bringing the issue of territoriality to the forefront of our discussions. I see this territorial aspect in my work on a daily basis, and it is of central importance. Restructuring is the way in which economic development occurs – this development is a history of shifts in relative productivities and in consumer demand, leading to shifts of labour from declining to expanding sectors. The pattern of these shifts is highly uneven from one region to another, depending on the structure and performance of the economy. This pattern also depends on technologies – such as ICTs - which can offer horizontal opportunities for positive change.

This does not mean, however, that we should just wait and see. On the contrary – successful restructuring is rarely a one-off event, it is a continuous process of change. What we should aim at is an approach where restructuring is a continuous, low intensity process so that the consequences are manageable – in the sense that they are not extensively concentrated both in time and space, and that they are more than offset by new opportunities for growth and jobs. We must give people the time and the skills to adapt. We have to stimulate and facilitate transition rather than inhibit it. Restructuring will be a part of our lifestyles – we cannot shield ourselves from it, we have to adjust to it.

How this can be done? Regional policy is particularly well poised to tackle restructuring because it is at the level of the regional or local economy where the impact of restructuring – both positive and negative - is felt the most. We have reformed the policy in order to turn it into the European Union's major booster of growth and jobs, designed to dynamise local and regional economies. Let me recap briefly on the priorities. Member States have agreed to focus the policy investment over the next 7 years on 3 broad priorities which will create the capacity to grow in a sustainable way; making Europe, its regions and cities more attractive places to invest, to work and to live; encouraging innovation, entrepreneurship and the growth of the knowledge economy by developing research and innovation capacities; creating more and better jobs, improving the adaptability of workers and enterprises, and increasing investment in human capital. I want to mention two of these in particular: innovation and human capital.

In terms of human capital, the best protection we can offer to our employees today is the security that they have the skills to move from

one post to another. We must promote flexibility and adaptability, by seeking to protect employment rather than by trying to preserve particular jobs. My colleague Vladimir Spidla has already spoken about the contribution the European Social Fund will make to this over the next 7 years.

For European regional policy, I see the challenge in terms of building a sustainable capacity to innovate. This will be a central element of future regional policy programmes. In a context of rapid globalisation, increasing competition and rapid technological change, innovation – understood in terms of the capacity to convert ideas into material reality - is essential if businesses, regions, countries are to achieve and maintain competitive advantage. It is a precondition for the sustainability of employment. And we are not starting from zero. We have many examples of regions and cities successfully coping with rapid economic change and turning it into sustainable growth and jobs. There is a wealth of experience and energy at the regional level which shows why innovation is today a critical regional competence for allowing us to benefit – rather than suffer – from globalisation.

Policymakers, at European, national and local level, now realise the importance of region-specific factors in explaining patterns of innovation, and that innovation strategies are best designed at this level where they can reflect the strengths and weaknesses of key actors in the area. Through past experience we know that all relevant partners must be involved in their conception and implementation, and particularly firms, education and research institutes, financial authorities, with local public authorities very often playing the role of catalyst. Clusters are particularly important in this context.

The good news is that the first assessment on programming documents for 2007-2013 shows that the reform of regional policy is bearing fruit. First, innovation is one of the main themes set out by the Member States for 2007-2013. Moreover, programming documents target all key elements of the innovation such as innovative businesses, RTD and access to finance. Second, most of the Member States followed regional approach to innovation. This confirms that the regional level is the most appropriate for the design and implementation of innovation policies. Finally, resources allocated to the innovation increased significantly, in comparison to 2000-2006. For the EU-15 the increase in some cases - Spain and Portugal – is twofold (measured as % of the overall allocation). For new Member States, in absolute terms, the investment will double or triple in size. So over the next decade we will be investing in what builds local, regional, national and European sustainable capacity to grow and to create employment.

What we can do if it is already too late and one-off restructuring takes place? Let me take the example of the closing of the Rover factory in the UK in 2004 which resulted in the loss of many thousands of jobs with heavy local costs. Regional policy was mobilised rapidly to invest in several kinds of actions. The most significant of these were improving job prospects for redundant workers in the short term using the European Social Fund, and helping those in work to retrain and to move from unskilled to skilled employment to match the needs of the local economy; Using the Regional Development Fund we helped to strengthen the communities affected by closures through the creation of a global grant scheme to overcome barriers to individuals gaining employment; by accelerating diversification of the business base through appropriate innovation, research/development and business incubation strategies;

providing business consultancy and grants for capital retooling; and promoting new business sites. Improving access to finance through tailored financial engineering instruments was also essential to ensure the survival of viable businesses through the provision of short-term loans or loan guarantees or which will help older redundant workers to create their own business; and investment in infrastructures in the affected area particularly in the form of transport links.

This intervention turned out to be successful, as already four months after the closure 2000 of the redundant workers had found alternative employment. Still, we should not forget that this success was also possible because the West Midlands region has a highly innovative, flexible economy continuously supplying new jobs. This only confirms what I have said earlier about the importance of continuous investment in the capacity of the region to grow.

I want to make one final point to conclude. The example which I have just mentioned also illustrates the fact that European regions already have a wealth of experience and expertise in dealing with challenging economic developments. It is the duty of all of us to share this experience more widely, and this is the main idea behind the Regions for Economic Change initiative which the Commission adopted in November. This initiative should enable us to experiment with new approaches and, when successful, to move quickly the best, pilot projects to the mainstream of operational programmes. In a way, we want to design an idea factory, which will deliver new products for broader use in the next 7 years. Significantly, our first step in implementing this initiative will be to create by the end of this year a network on 'Bringing innovative ideas faster to the market'. These policies will be a success if they are firmly rooted in local realities, take

into account local specificities and needs, and are based on the joint views of all relevant actors – public and private on how best to use the opportunities which lie ahead.