

*Reason*

Damaging to equal opportunities on the Single Market.

*Result of the vote*

For: 23, against: 58, abstentions: 4.

### **Opinion of the European Economic and Social Committee on 'Industrial change: current situation and prospects — An overall approach'**

(2004/C 10/21)

On 22-23 January 2003, the European Economic and Social Committee decided, under Rule 29(2) of its Rules of Procedure, to draw up an Opinion on Industrial change: current situation and prospects — An overall approach.

The Consultative Commission on Industrial Change (CCIC), which was responsible for drawing up the Committee's work on the subject, adopted its opinion on 1 September 2003. The rapporteur was Mr Van Iersel and the co-rapporteur was Mr Varea Nieto.

At its 402nd plenary session (meeting of 25 September 2003), the European Economic and Social Committee adopted the following opinion by 53 votes in favour and one vote against.

#### **1. Introduction and objective**

1.1. As the expiry date of the ECSC Treaty approached, the Member States asked the European Commission to present its ideas on the future of structured dialogue<sup>(1)</sup>. A body within the EESC was proposed<sup>(2)</sup> with a remit not limited to the coal and steel sectors but extended to encompass all aspects relating to industrial change, particularly in the light of enlargement<sup>(3)</sup>.

The Consultative Commission on Industrial Change was set up by an EESC Plenary Assembly decision of 24 October 2002. This decision acknowledges the enrichment and added value the CCIC can bring to the EESC. The CCIC has 24 members from the EESC and 30 external delegates who have initially been drawn from the former ECSC Consultative Committee members. Subsequently membership may be extended in the future to other sectors.

1.2. The establishment of the Consultative Commission on Industrial Change opens up new prospects. It will now be possible to examine questions relating to industrial change in all their complexity — from an economic and social point of view as well as in terms of protection of the environment and sustainable development, with particular emphasis on the problems encountered by the future Member States.

1.3. The former ECSC Consultative Committee did a great deal of useful work for the sectors in question. In the history of European integration it was a model for consultation between the social partners and government and for Community responsibility for development in these sectors, on the basis of a specific form of industrial policy. Some of the main results of this ongoing consultation are listed below:

- Community analysis of markets and market conditions over the years leading to restructuring processes,
- programmes for regions particularly hard hit by unavoidable restructuring,
- Community R&D programmes, (part of financing now comes from paying back of loans to enterprises and for housing of workers),

<sup>(1)</sup> Industry Council of 18.5.2000.

<sup>(2)</sup> Communication of 27.9.2000 (COM(2000) 588 final).

<sup>(3)</sup> Simultaneously with the opinion, the CCIC is drafting an opinion on: The restructuring of heavy industry in the enlargement countries.

- Community training programmes,
- (financial) programmes for restructuring in the coal and steel sectors,
- a large number of opinions on various subjects, in particular relating to trade policy and discipline by government in granting state aid to these sectors,
- other achievements (joint committees for the harmonisation of working conditions, which led later to the setting up of a committee for social dialogue in the coal sector and, possibly in the future, also in the steel sector).
- the launch of social programmes (payments in respect of loss of employment and early retirement).

The sum of all these measures has created a highly competitive steel industry as well as a profitable export of European mining technology and know-how.

1.4. Flanking measures for conversion and territorial development have also been judged necessary in the most badly affected regions. The financial programmes for restructuring have been financed by structural funds with specific programmes for affected regions: Rechar I (1990-1993), Rechar II (1994-1999), Resider I (1988-1993) and Resider II (1994-1999). These programmes developed social measures and focused particularly on improving local and regional infrastructure, which facilitated access to new businesses and cleaned up areas polluted by coal and steel industries.

1.5. When the ECSC Treaty came to its end, the specific form of consultation of the ECSC Consultative Committee was abolished and in its place the CCIC was set up. Past experience is still valuable. But circumstances for industrial change have changed. The consultation instruments need to be fine-tuned in the light of the Lisbon strategy in order to combine competitiveness with sustainable development and social and territorial cohesion. In addition to general industrial policy objectives, these aspects will also require sectoral approaches.

1.6. The goal of this opinion is to highlight the role of CCIC to further a direct dialogue with all concerned stakeholders affected by industrial change and where lessons learnt from both the coal and steel and from other sectors will be used. This opinion is a first of a series.

1.7. The EESC considers that future work of the CCIC should be related to the following:

- Analysing industrial change and its causes from the economic, social, territorial and environmental points of

view, as well as assessing the impact of industrial change on sectors, firms, workforces, territories and the environment.

- Seeking positive common approaches to anticipating and managing industrial change and seeking ways in which the EU and the Member States can improve firms' competitiveness and profitability, encouraged by social dialogue and cooperation between all the parties concerned.
- Seeking common approaches to promoting sustainable development and improving social and territorial cohesion, in order to give an impetus to the Lisbon Strategy, and promoting a framework and conditions allowing industrial change to take place in a way compatible both with firms' need for competitiveness and with economic, social and territorial cohesion.
- Promoting the coordination and coherence of Community action in relation to the main industrial changes in the context of enlargement: research, economic, competition, social, regional, environmental, transport, etc.

## 2. Industrial change and their driving forces

### 2.1. Working concept

2.1.1. Change in the European industrial sector has often been approached from the restructuring angle. But in fact it is a much more dynamic concept. On the one hand it embraces the on-going development of the company (establishment, development, diversification, change); but, on the other hand, the business world is closely linked with the European political and social environment in which it develops, and which in its turn influences the process of industrial change.

Fundamental industrial change comes about in two ways: through radical action and through gradual adaptation. There is also a second possible distinction: reactive change, imposed by circumstances, and proactive change, where a decision for change is taken, although there is no clear or pressing need for it<sup>(1)</sup>.

Today it is important to dwell on the proactive concept of change in order better to anticipate and manage the economic, social, organisational and environmental repercussions of industrial change.

<sup>(1)</sup> The causes of change are varied, cf.:

- Prahalad, C.K. and Hamel, G. (1994): 'Strategy as a field of study: Why search for a new paradigm?', *Strategic Management Journal*, vol. 15.
- López, J. and Leal, I. (2002): *Cómo aprender en la sociedad del conocimiento*, Gestión 2000, Barcelona.

2.1.2. Restructuring is a constantly recurring phenomenon of the industrial age. The most sweeping changes have occurred since the 1970s in sectors such as iron and steel, mining, textiles and shipbuilding. Until recently the economic and social consequences were dealt with in a specific way.

2.1.3. Today companies are exposed to rapid change arising from increasingly open markets, and new markets, the main features of which are highly developed means of communication and transport, advanced technologies and their applications, unremitting and increasingly tough competition, demanding shareholders and a constant battle for market positions. That is why, over and beyond the process of development over time, affecting human, financial and technological organisation, companies are today making other, more rapid forms of adaptation. Restructuring has become more radical, more complex and more extensive in both time and geographical terms, e.g. making use of subcontracting. It affects all industrial and service sectors and a number of categories of employees and regions.

2.1.4. The recent use of the term industrial change reflects this change in the nature of adaptation by companies <sup>(1)</sup> and covers all changes affecting companies, their organisation, their jobs, skills and locations. These changes also concern the business environment.

## 2.2. *The context of industrial changes*

Industrial change is driven by a series of factors. Some of these, particularly relevant, are developed below.

### 2.2.1. Globalisation

2.2.1.1. Notwithstanding the current economic downturn, industrial change is occurring throughout a world in which markets continue to become increasingly internationalised (WTO). There is a clear interaction between international trade and industrial change.

2.2.1.2. The world's main regions are all undergoing the same development, but differ in the extent to which their economic and social structures are suited to this process. Europe's industries face global competition on productivity. They meet challenges such as economic and technological competition from the US (sometimes unfair) <sup>(2)</sup>, rapid develop-

ment in Asia, particularly in the high technology sector, and even South America. They also have to cope with unfair competitive practices which sometimes infringe WTO rules.

2.2.1.3. At the same time investment and business activity is being redirected towards countries with low costs (labour, energy, etc.), direct market access and a high level of educational and technological skills. Environmental, tax and other regulations are often less strict there. This transfer of activity to countries outside the EU sometimes has a negative impact on employment in the Community and it may seriously affect certain European regions.

This trend goes generally hand-in-hand with the creation of technologically more advanced processes in high-cost countries, which in many cases is beneficial for the development of new areas of activity and for improving employee skills.

2.2.1.4. Because of increasing knowledge and technology innovation, as well as the liberalisation of capital markets, worldwide investment is no longer restricted to large or multinational companies. Many medium-sized and even small companies, particularly firms with high technological added value, are less and less bound to a particular location or country. Outsourcing and networking are contributing to further worldwide diversification of investment and to international interaction and intertwining.

### 2.2.2. The European single market, legislation and implementation

2.2.2.1. In Europe, the completion of the single market occupies a central place in the process of European integration and, as an integral part of the process of globalisation, it promotes a high degree of integration of European economies and companies.

Economic integration is reflected not only in trade but also in the development of mergers and acquisitions, some of them with a Community dimension <sup>(3)</sup>. The long-term trend is towards a marked increase.

2.2.2.2. The late 1990s were years of buoyant economic growth. The combination of economic growth and EMU strengthened European businesses. But there were still shortcomings in the economic and social dynamics and in knowledge development in Europe. That is why, at Lisbon in March 2000, the European Council adopted a new strategic objective of making the European Union by 2010 'the most competitive and dynamic knowledge-based economy in the world, capable

(1) See F. Aggeri & F. Pallez 'les nouvelles figures de l'État dans les mutations industrielles' Cahiers de recherche du centre de gestion scientifique n° 20, École des mines de Paris, 2002 and Bernard Brunhes consultants 'la gestion des crises industrielles locales en Europe', Cahier n° 6, 2000.

(2) For example, the application of Section 201, under which customs duties on certain flat steels have been increased since March 2002 or the tax law relating to Foreign Sales Corporations, condemned by the WTO, under which certain firms can benefit from export subsidies.

(3) In 1991 there were 8 239 mergers and acquisitions involving EU companies. The corresponding number in 1999 was 12 796. Source: 'Mergers and acquisitions' (European Economy. Supplement A. Economic trends. No 5/6.2000. Office for Official Publications of the EC).

of sustainable economic growth with more and better jobs and greater social cohesion'. The aim is the most competitive economy embedded in a more stable economic framework.

2.2.2.3. Partly as a consequence of the crisis in the ICT and telecommunications sectors and substantial falls in international stock markets, Europe now faces low growth, widespread economic uncertainty and lack of confidence among companies and consumers, slower investment and job losses in different economic sectors.

2.2.2.4. The European Commission and the European Council have decided to continue efforts to create a climate in favour of industrial change in all its aspects. More specifically, the intentions of the Lisbon Strategy were worked out at the Summits of Göteborg and Barcelona. In 2003, the Spring Summit in Brussels resulted in a focus on four priority areas, which are all closely connected to industrial change:

- innovation and entrepreneurship;
- establishment of an Employment Task Force;
- strengthening the internal market: the Council on Competitiveness has been confirmed;
- environmental protection for growth and jobs.

2.2.2.5. In its extensive conclusions, the Council stressed once again the need for realisation of the EU vision of a knowledge-based society and for 'boosting competitiveness back onto the centre stage'. The Council formulated objectives such as the rapid implementation of the Action Plan 'simplifying and improving the regulatory environment', a comprehensive impact assessment for all major proposed EU legislation in the economic and social fields, inter alia by a systematic consultation of the social partners.

2.2.2.6. The European Council also mentions in its conclusions specific sectors such as the electricity and gas directives, the transport sector, the Financial Services Action Plan, R&D and defence procurement, the European space policy, information society and biotechnology. Special attention is asked for services of general interests, their quality and accessibility, taking into account the EU rules on government subsidies and on competition <sup>(1)</sup>.

2.2.2.7. In line with the conclusions of the Summit, the European Commission presented on 7 May 2003 a Ten-Point Plan for making Europe better off, emphasising implementation of legislation among other things. The EESC regrets that, whilst the European Council develops ever more EU-level policies, until recently too little attention was paid to their practical implementation. Implementation is important in view of industrial change. It is above all important in view of the European rule of law.

2.2.2.8. In this ten-point plan, the Commission rightly pleads for new consensus and determination, for it looks as if much of the potential of the internal market is being wasted as the number of infringements is increasing. The target is to reduce the number of internal infringements by at least 50 % by 2006 <sup>(2)</sup>.

2.2.2.9. Sectoral approaches were also put forward by Commissioner Liikanen, when he stated on 29 January that '[...] while the horizontal dimension will remain of fundamental importance, the effects on industrial sectors, especially those facing special challenges, must be carefully monitored, and where possible, the necessary adaptations made to meet specific situations'.

2.2.2.10. The EESC supports the approach set out in the Commission's Communication on Industrial policy in an enlarged Europe but is also of the opinion that emphasis should also be placed on the need for sectoral policies, which may be especially useful in connection with economic change in the candidate countries. Account should be taken of the lack of such dialogue in these countries at present.

2.2.2.11. Direct state intervention in industry has been reduced although state aid needs to be reduced further. A reduction in state aid promotes a European level playing field in the sectors concerned.

<sup>(1)</sup> The European Commission has just published a Green Paper on Services of general interest (COM(2003) 270 final, 21.5.2003).

<sup>(2)</sup> The number of open infringement cases has soared from just under 700 in 1992 to nearly 1 600 today. In the ten point plan, special emphasis is laid on integrating service markets and 'network industries' such as energy, transport, telecommunications and postal services, which are 'crucial to all EU citizens' and a significant part of business costs. Other important elements of the ten-point plan are the implementation of a Better Regulation Action Plan and more open public procurement markets.

2.2.2.12. The European business climate and that of the Member States is directly influenced: by macroeconomic, monetary and taxation policies. The successful advent of the euro has not yet led to sufficient uniformity of the economic policies of the Member States. Substantial differences between tax regimes persist. To a certain extent these differences in the macro-economic field between the Member States may also negatively affect industrial change in Europe.

2.2.2.13. The development of the single market suffers from the fact that in vital areas progress has been slow or even non-existent. Various examples of this are the unsatisfactory operation of the European capital market, shortcomings in the competition regime, the absence of a directive on takeovers, the very long drawn-out negotiations on the European patent, which were in the end only partially successful, and sometimes the lack of effective implementation of European legislation.

2.2.2.14. In order to create further conditions for industrial change based on social cohesion and competitiveness, the EESC also reiterates its demands for efficient policies to achieve:

- human resources development,
- more and better jobs within an inclusive labour market,
- specific attention towards the ageing of the active population, and towards measures promoting women's access to the labour market,

which all require lifelong-learning at all levels, and improvement of education and training. Analyses of best practice in each of these subjects are highly desirable.

2.2.2.15. Innovation policy is a central theme in the Lisbon strategy. But the financial intensity differs from one country to another. Moreover, in a number of Member States cooperation between universities/knowledge centres and business is certainly not optimal, as pointed out in the conclusions of the Summit of March 2003. In this area, for instance, Europe compares unfavourably with the USA. Consequently the sectoral trade balance between the EU and the USA is in favour of the latter.

2.2.2.16. Sustainable development is a principle to which the EESC subscribes. It has drawn up several opinions, which should be taken into account within the process of industrial change.

### 3. Industrial and social changes

3.1. In the last few years a number of well-known reports have appeared in the EU about fundamental changes in the business world and the business environment <sup>(1)</sup>.

The European Parliament, the ETUC and UNICE have also adopted resolutions on industrial change <sup>(2)</sup>.

3.2. Change has always been a feature of the business cycle. In the last few decades, it has led to major social and economic consequences. At the moment, figures show a large increase in the proportion of the active population working in the services sector, which is partly due to outsourcing and subcontracting, partly also to the emergence of dynamic sectors such as entertainment and media.

3.3. Technological progress means that products and services have an ever-shorter life. Open markets prevail. As a result, adaptation is needed. Many companies, including those which have suffered from a crisis, or seen a need to restructure, undergo a partial or complete transformation. An appropriate balance needs to be struck between flexibility (adaptability and new skills) and job stability, by means of social dialogue. Analyses of concrete cases show that there are several causes for the need to restructure: capacity adjustments, economic transition, competitiveness, productivity adjustments, redefinition of positioning, rationalisation, organisational changes

<sup>(1)</sup> The most important of these were 'Managing change' of November 1998, the report of the group chaired by Pehr Gyllenhammer (on which the EESC published a positive, albeit critical opinion: OJ C 258, 10.9.1999, and the Report of the High-level Group on Industrial Relations and Change in the European Union of January 2002, produced by the group chaired by Maria João Rodrigues.

<sup>(2)</sup> European Parliament Resolution of 15.2.2001 on the social consequences of industrial restructuring (B5-0089/2001) calling for a more proactive approach to industrial restructuring and its social consequences, stressing the need for continuous social dialogue and recalling the provisions of the Treaty stating that the objective of a high level of employment must be taken into consideration in all Community policies and activities. ESC Resolution of 11-12.3.2002 stressing the need for workers to be continuously involved in the process of change and for the social cost of restructuring to be minimised, and calling for research and analysis to evaluate the scale and impact of company restructurings by country and region. UNICE Resolution of 8.3.2002 calling for exchanges of experience on anticipating and managing change.

and bankruptcy<sup>(1)</sup>. In a number of the cases analysed, the transformation of the company led to completely new products and/or services, respectively to redeployment or even to extension of the number of employees. These processes of change of and within businesses are mostly related to sector-specific developments. The way restructuring is implemented from the social point of view is the result of a fruitful dialogue between employers and workers.

3.4. These processes continue, despite the current economic downturn. Indeed, this situation actually stimulates competition, as each firm seeks to secure its position in order to safeguard its continuity. Although more attention is perhaps now paid to costs, firms are still renewing their internal organisation and positioning themselves for the future, not forgetting industrial concentration through mergers and acquisitions.

This intense restructuring activity has meant a sharp rise in job losses. In the first nine months of 2001 230 000 jobs were lost in the euro area and 350 000 throughout the EU. — The high cost of these job losses, not only for individual workers, but also for whole areas and regions, requires the adoption of flanking measures and plans for the creation of alternative jobs. This approach is already applied in a number of Member States.

In this connection the EESC draws attention to the ICT paradox. The economic stagnation of recent years was heralded by a sharp fall in investment in the overheated ICT sector. But that has not prevented this very sector (communications, information, Internet) from bringing about radical changes in the manufacturing and services sectors, giving traditional sectors an entirely new appearance and spawning new firms, new alliances between market partners and new manufacturing and services packages. Not one sector has escaped this process of renewal. It is, as it were, a new commodity. The next radical renewal, this time in biotechnology, is imminent.

3.5. Nonetheless, restructuring as an autonomous phenomenon is taking place in the Member States. The EESC points to a number of examples of regional restructuring which leads to redeployment of work and new development of companies and the creation of new ones. Complicated processes were often at the basis of such restructuring. Many European regions have specific features, which are the result of their economic history, geographical location and regional traditions. Sometimes, adaptation of industrial structures was not adequately

anticipated. But at the same time we notice also that the regional stakeholders — employers, trade unions, regional and local authorities — have often mobilised and mobilise, in forthcoming cases also in close cooperation with national authorities and the European Union (e.g. in Rechar, Resider and Retext) to create the basis for new perspectives. Restructuring and modernisation processes implementing industrial change have been and are underway, sometimes with surprisingly positive results.

Examples of regions which have created numbers of new companies and have changed patterns of existing ones include the Ruhrgebiet (Germany) and Birmingham (United Kingdom) with their changing structures from heavy industries to service-oriented businesses, Oulu (Finland) with its strong telecommunication sector, and Barcelona (Spain) which experienced profound change on the occasion of the Olympic Games in 1992.

3.6. However, despite some proven successes, other areas are still in mid-stream, such as Asturias, a region of Spain which in the 1990s underwent major adjustments in the steel and mining industries. Employment in the steel sector fell from 23 000 workers to 8 000 currently, a net loss of 15 000. The region also lost more than 17 000 jobs in the mining industry. Efforts have been made by the Spanish central government and by the regional government, and aid has been forthcoming from the European Commission (ECSC Treaty, Rechar and Resider programmes). Yet the problem has not been resolved and, although the economy has regained some vitality, it has not managed to replace even half of the jobs lost in the sectors concerned or in related sectors. This clearly highlights the continuing need for economic flanking measures if the lost ground is to be made up and if economic life in this region is to be developed to the full.

Other current examples are Liège (Belgium) and Bremen (Germany), where Arcelor, the result of the merger of Arbed, Aceralia and Usinor, has decided — against a backdrop of a structural overcapacity in steel flat production and with a view to improving synergies — progressively to close the Liège steelworks and scale down production in Bremen. In the light of the job losses these measures will entail, Arcelor is committed to assisting all those concerned, rehabilitating all the sites affected and contributing to the reindustrialisation of the local economic fabric, with the help of all the parties involved. Support measures, like those set up some years ago under the Rechar and Resider programmes, should stave off hardship in these regions. The conditions also need to be created for the sustainable development of these regions

(1) cf. Case studies on the handling of the social impact of major industrial restructuring Case studies, Bernard Brunhes, consultant, for the European Commission, DGV (<http://www.brunhes.com/ Etudligne/Cahiers/6/Cahier6.htm>).

3.7. An important aspect of the current trend is not only that the character of individual firms is subject to change but that it is becoming more difficult than in the past even to distinguish one sector from another. A crucial change is that the former clear-cut distinction between sectors has given way to new rules of the game, characterised by interdependency, interaction, networking and outsourcing. As most firms choose their own way in the light of their vision of the future and market position, the situation tends to vary from one individual case or firm to another. An appropriate combination of flexibility, employee involvement, continuous improvement and stability is therefore needed.

3.8. At all events, this rough sketch of these processes of renewal, internationalisation and reorientation in the manufacturing and services sectors shows that the whole economy is affected by these changes, which are felt at all levels of companies. This accounts for the strong emphasis placed by the social partners in most countries on new forms of training and skills development. Vocational mobility is a characteristic of the current system of manufacturing and services. Traditional employment structures (i.e. shoemaking industry in Choletais, France <sup>(1)</sup>) coexist with other, newer structures. And of course many firms are still in transition from the 'traditional' to the new. But one notices also that traditional sectors such as retailing and distribution centres are sometimes completely restructured for the better. At all events, training and dialogue are essential in order to tackle these transitions. The reorganisation of vocational training and the wide opportunities which are offered, and which must be offered, to ensure workers the most secure future possible, are essential with a view to flanking these changes, some of which have been enumerated above.

3.9. Human resources development is of course of fundamental significance. As the Lisbon European Council acknowledged, the processes of change in companies and the creation of new jobs, as well as competitiveness in Europe, are based on research and innovation and on workers' creativeness and adaptability. Recognising the strategic importance of human capital means:

- investing in the training and skills of workers throughout their working lives;
- raising the ability of companies to adapt;
- involving workers in the management of change and the creation of a new kind of security;

- facilitating access to employment for less skilled workers;
- developing social dialogue mechanisms in companies <sup>(2)</sup>.

Nowadays the employee himself is also a source of change in managing companies and, by that, of industrial change. Old hierarchical structures are often replaced by organisational frameworks that fully take into account the higher level of competence of today's employees.

3.10. Recently, more emphasis has been placed on 'corporate governance'. This is the sum of rules, codes and conduct within companies, aiming to take account of the interests of all stakeholders. Companies, especially those with a large workforce, also have a societal responsibility, in the framework of international competitiveness of courses. Corporate governance is channelling a number of problems related to a desirable attitude of business in a wider context. In particular, as far as industrial change is concerned, corporate governance is in the interest of the companies themselves. It is relevant to issues such as sustainability, transparency, effective supervision, etc. and it aims to ensure good working relations and external responsibility towards society. It is in this very field that the specific features and values of the European social model must take shape. Therefore, the recent proposal of the Commission to put 'corporate governance' on the agenda of the EU is also a positive step aiming at using our resources more efficiently and producing with quality.

#### 4. Conclusions and recommendations

4.1. It is important that confidence in the economic situation be restored. This is why the EESC supports the outlines and objectives set out by the European Commission and the European Council at the Spring Summit 2003, and those set out in the Commission's Ten-Point Plan aimed at giving the economy a boost, creating jobs and, more generally, implementing the Lisbon Strategy. Europe needs a climate favourable to a new paradigm focused on 'industrial change with a human face' which is based on competitiveness, sustainable development and social and territorial cohesion.

<sup>(1)</sup> The case of the Choletais shoe-making industry, Aggeri Franck and Pallez Frédérique — Centre de Gestion Scientifique, École des mines de Paris, September 2001.

<sup>(2)</sup> Commission document: Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring — First phase of consultation of the Community cross-industry and sectoral social partners (point 1.3).

4.2. The EESC recommends benchmarking, peer pressure and dissemination of best practices in areas affected by industrial change and that comparative analysis should focus on technological change, innovation and social aspects. It welcomes the European Commission initiative to publish concrete comparative analyses between countries.

4.3. The EESC is in favour of a horizontal industrial policy which at the same time allows the development of sectoral approaches directly related to industrial change.

A sectoral approach must be accompanied by procedures for consultation, participation of all players and social negotiation in the framework of industrial restructuring, particularly in the candidate countries.

4.4. The EESC is in favour of systematic checks to establish whether the rules and decisions drawn up and approved at Community level are being complied with, as exceptions would lead to a 'Europe à la carte'.

4.5. It is very important to ensure that representatives of the sector are involved at all stages of the legislation processes in the EU (bottom-up) in order that rules and decisions in different policy areas are assessed in relation to industrial change. The EESC stresses the need to ensure that competitiveness and industrial change strategies are effectively and consistently implemented. The CCIC will monitor this process closely.

The EESC stresses the importance of ensuring that relocation of industries is not purely inspired by increasing differences in legislation between Member States, e.g. in environmental and fiscal areas.

4.6. A short time ago the Competitiveness Council was established. The EESC welcomes this new approach. It is desirable that issues and regulatory solutions be considered in their context, keeping in mind the quality of jobs.

The EESC stresses that consistency between different Community policies, e.g. in the social, industrial, tax, regional, energy, transport, competition, training and research fields, is necessary in order to ensure the effectiveness of any policy on industrial change.

4.7. An effective impact assessment of European legislation is desirable. To that end, the EESC supports the proposal to establish an independent advisory group for business impact assessment of EU regulations, in order to improve the quality of EU legislation.

4.8. For the EESC it is essential that innovation and research promotes European leadership both in terms of competitiveness and of social welfare. Part of this will be at the same time an answer to similar policies in other world regions, such as the USA that promotes some industrial development by government-driven actions in the defence sector <sup>(1)</sup>.

4.9. The EESC considers that initiatives to promote the cooperation between universities/knowledge centres and business are desirable <sup>(2)</sup>.

4.10. The EESC believes that more attention should be paid to the possible repercussions of certain Community provisions and rules on SMEs.

4.11. Coherent rules on remaining state subsidies must be maintained in Europe. At the same time, the European Union must continue to act, mainly through WTO, against misuse of duties, like the US duties on steel products. This is important in order to achieve a level playing field in international trade.

4.12. To ensure a balanced environment for industries undergoing change, the EESC encourages the European Commission to exercise vigilance with regard to the application of WTO rules, where gaps exist <sup>(3)</sup>.

4.13. The EESC draws attention to the need to focus on different sorts of industrial change. The clearest distinction is that between restructuring of mono-industrial regions and, on the other hand, industrial change as an ongoing process of adaptation of manufacturing industries and services. In the first case, specific measures can be foreseen on a temporary basis in the regions concerned.

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<sup>(1)</sup> Opinion of the EESC on the Green Paper on European Space Policy — OJ C 220, 16.9.2003, p 19; see also Opinion of the EESC on the Commission's Communication on European Defence — Industrial and Market Issues — Towards an EU Defence Equipment Policy (on which a complementary opinion has been prepared by the CCIC).

<sup>(2)</sup> In this respect, it is interesting to note that by analogy with Finland, the new Dutch Government has installed a platform for interaction of knowledge centres and business under the direction of the Prime Minister.

<sup>(3)</sup> For example, China, with regard to micro-electronics quotas, South Korea with regard to shipyard subsidies and the USA with regard to aid to the iron and steel industry.



The EESC recommends that the positive experiences with sectoral programmes such as Rechar, Resider and Retext be taken into account in modernising mono-industrial regions in the future and existing Member States and that new forms of social dialogue be promoted in these countries.

In regions particularly affected by relocation specific flanking measures may be needed for a limited period.

4.14. In a number of cases, regions subject to industrial change benefit from a close cooperation between companies, public authorities, social partners and, where appropriate, other socio-economic sectors. The EESC invites the Commission to publish details of pilot projects carried out in this area, their successes and limitations, which can be of help to regions in transition, in particular in the future Member States.

4.15. The EESC stresses the importance of training programmes for personnel and calls on the Commission to take into account all the trends and results of these specific programmes of vocational training, including private-sector programmes. It would be appropriate to hold round tables on the subject with the social partners from the various sectors.

4.16. The European Monitoring Centre on Change (EMCC), established in 2001 within the Dublin European Foundation for the Improvement of Living and Working Conditions as a direct response to the call from the Gyllenhammar group, can play a valuable role. In cooperation with the various economic players (companies, social partners etc.) and national research establishments, it provides specifically targeted information on changes in particular sectors and industry in general and on ways of anticipating and flanking these changes. The EESC intends to further develop cooperation between the CCIC and the EMCC.

4.17. The EESC considers that the establishment of sectoral observatories would make it easier to anticipate and implement

industrial change, identify viable alternatives and minimise their negative consequences. As the EESC has already pointed out <sup>(1)</sup>, another measure which would help to better anticipate and manage industrial change would be 'that European companies of size (more than 1000 employees) should prepare a Managing Change Report [which would] provide information on what structural changes are foreseen and how they will be managed' <sup>(2)</sup>.

4.18. In order to exploit best practice, the EESC suggests that an evaluation should be made of companies with the best record in restructuring processes on the basis of knowledge, sustainability and social programmes (Lisbon Strategy).

4.19. The EESC considers that social dialogue in companies and, where appropriate, involving local players and public authorities, is an important and decisive tool to develop competitiveness, social conditions and employment as well as environmental protection in a productive balance. The EESC experience and that of the former ECSC Consultative Committee demonstrated that establishment of a continuous sector-based dialogue at European level in which representatives of the producers, workers and other groups representing organised civil society (consumers, dealers etc) helps to establish a useful basis for a renewed industrial policy.

4.20. The future work of the CCIC, as a body within the EESC, will concentrate on sectors and/or regions particularly affected by industrial change and will be based on the approach outlined in point 1.7 and on these conclusions.

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<sup>(1)</sup> EESC Opinion on Managing Change — High level group on economic and social implications of industrial change — Final Report, point 3.2.3 — OJ C 258, 10.9.1999.

<sup>(2)</sup> Executive summary: Managing Change — High level group on economic and social implications of industrial change (Gyllenhammar report).

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